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Volume 159 Number 4284

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Electronics And Television In The Post-War World

A pent-up demand for between 20,000,000 and 25,000,000 radio receiving sets will exist by the end of 1944, as compared with the industry's all-time high production of 13,000,000 units in 1941, it was estimated recently by Larry E. Gubb, Chairman of the Board of Directors of Philco Corporation, in an address on "Electronics and Television in the Post-War World" before the Bond Club of Philadelphia.

Larry E. Gubb

"Today the radio-electronics industry is turning out specialized types of war equipment at the rate of approximately $3.2 billions a year—a greater volume of output than that of the entire automobile industry in 1939," Mr. Gubb said.

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In This Issue

OHIO SECURITIES section containing information bearing on dealer activities in that State on page 2146.

SAVINGS and LOAN ASSOCIATIONS editorial material appears on page 2152.

For index see page 2168.

The Prospect For Post-War Air Cargo

By **MELVIN D. MILLER***

Cargo Traffic Manager—American Airlines, Inc.

Airline Official Sees Airplane Diverting Large Portion Of Business From Present Carriers That They Have Retained Only Because Of Lack Of Faster Transportation. Looks For Further Reduction In Air Express Rates As Soon As Additional Equipment Can Be Had To Handle An Expanded Cargo Volume. Discusses Marked Changes He Envisages As Result Of Growth In Air Transport

Just a few weeks ago a group of men met one morning at a little town on the coast of North Carolina to commemorate the 40th anniversary of an event with effects as far-reaching as any since the dawn of history.

M. D. Miller

The North Carolina town was Kitty Hawk, and the event was man's first successful flight in a machine heavier than air.

That night, in our nation's capital, leaders of industry, of government, of finance and of transportation gathered together to pay tribute to the Wright Brothers, who had launched the first flight — and whose inventive genius gave the world the airplane that is the

---

*An address delivered by Mr. Miller before the New York Society of Security Analysts on May 17, 1944.

(Continued on page 2154)

Post-War Jobs

By **JOHN THOM HOLDSWORTH***

Dean Emeritus, The University of Miami, Coral Gables, Florida; Member Of Executive Committee, Economists' National Committee On Monetary Policy

During the long depression and the period of pump priming and "reforms." too many of us seemed to forget the clear lessons of our rapid industrial development under free enterprise and competitive capitalism. Far too many of us had come to look to the Government as the main provider, dispenser and custodian of our economic well-being. But a little reflection and examination of our experience in the thirties should convince the most confused or skeptical that in a democracy such as we are privileged to live under Government should do none of these things. Government, democratic or socialistic, cannot of itself create any wealth, neither should it attempt to distribute what by the coordination of natural resources, labor and capital-management is created. In a democracy government is essentially a **political agency** set up and motivated to express the will of the people in matters affecting the general welfare. And unless the citizen is willing to surrender all his hard-earned rights and privileges, including the **fifth freedom**, free enterprise, into totalitarian or nationalistic-socialistic control he must see to it that his Government functions pri-

John T. Holdsworth

(Continued on page 2156)

Shortcomings Of United Nations' Proposed Stabilization Fund

By **W. L. HEMINGWAY**

President, Mercantile-Commerce Bank and Trust Company, St. Louis
Former President, American Bankers Association

Prominent Banker Holds Main Purpose Of Fund Can Be Accomplished By The Bank For International Settlements. Views Fund Merely A "Super Bank" Controlled By Borrowers And Would Entail Loss Of Nations' Economic Sovereignty. Scores Treasury's Neglect To Consult Bankers Regarding Proposed Plan For Stabilization Of Currencies

In the recent statement of the Secretary of the Treasury before committees of Congress he stated that the technical experts of the United Nations have agreed upon a set of basic principles for an International Monetary Fund and he announced the purposes and policies, which I shall discuss in turn as follows:

W. L. Hemingway

(1) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

(2) To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a

(Continued on page 2155)

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After The War—What?

By STUART CHASE*

Popular Writer On Economic Problems Paints A Picture Of "Pluses And Minuses" Of Post-War Employment—After Considering Plans For Achieving Full Employment, He Advocates Adoption Of A "Compensatory Economy," Under Which "Business Men Largely Own And Operate The Means Of Production, But Government Underwrites Full Employment"

Stuart Chase

A distinguished gentleman from Texas was asked what he wanted after the war. He thought a moment, and then said: "Free speech and groceries."

That is a pretty good four-word definition of democracy when you come to think about it; "Free speech and groceries" covers a lot of ground.

Free speech comes first, but people cannot eat freedom. The Bill of Rights was going strong in 1932, but 15 million Americans were out of work, and the sky was full of brokers and bankers who bailed out of high windows with no parachutes.

Groceries imply decent living standards for every one. Most Americans would not want to take the finest living standards handed out of a government warehouse, any more than they would want to live permanently in army barracks.

We want some freedom with our groceries, and a dependable supply of groceries with our freedom. Is this possible? I do not know why not.

---

*An extemporaneous address delivered by Mr. Chase before the Controllers Institute of America, St. Louis, Mo., on May 1, 1944.

(Continued on page 2158)

Can We Spend Ourselves Rich?

By JAMES L. WICK*

Editor Of Prentice-Hall's Washington "Newsletter" Presents Objections To Plans And Principles Announced By Stuart Chase, Alvin H. Hansen And Abba Lerner. Seven Separate Questions Presented And Analyzed.

James L. Wick

Jay Franklin told me this story several years ago; the other day, Stuart Chase vouched for its accuracy.

Soon after Mr. Roosevelt became President, Chase was to make a speech in Salt Lake City. A snowdrift near Ogden held up his train. Reaching the lecture hall, Chase heard a pinch-hitter telling what should be done to end the depression: the government should undertake a gigantic spending program to increase consumer purchasing power. Chase liked the presentation so well that he wired Rex Tugwell that the spending advocate was coming to Washington. Hearing the idea, Tugwell was entranced, took its proponent to the President whose reaction was to exclaim: "That's it! Just what the country needs!"

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*An extemporaneous speech made by Mr. Wick before the Seventh Midwestern Conference of the Controllers Institute of America at St. Louis, Mo. on May 2, 1944. In this same speech Mr. Wick also spoke on post-war taxation and his remarks on this subject appeared in the May 18 issue of the "Chronicle" (page 2049).

(Continued on page 2150)

Holmes Trustee Of Emigrant Savings Bank

William M. Holmes

The Emigrant Industrial Savings Bank announces the election of William M. Holmes, President and General Manager of Bonwit Teller, Inc., as a member of its Board of Trustees. Mr. Holmes is a Director of the Fifth Avenue Association and has been active in the work of the American Red Cross, Greater New York Fund, Catholic Charities, and the National Jewish Hospital.

J. E. Dwyer Appointed Otis & Co. Officer

CHICAGO, ILL. — John E. Dwyer has become associated with Otis & Co., investment bankers with headquarters in Cleveland, as Vice-President, it is announced. Mr. Dwyer will be located in the company's Chicago office in the Field Building.

Mr. Dwyer, a trustee of the Inland Power & Light Corp. since November, 1940, has devoted most of his business career to the investment banking business, having been Vice-President of Pearsons-Taft Co. for many years. He was reorganization adviser to the United States District Court in the reorganization of the 208 South La Salle Street Building Corporation and served in a similar capacity in the reorganization of the Chicago and West Towns Railway. He is a director of the Pere Marquette Railway Company.

Newell Knight With Mercantile-Commerce

ST. LOUIS, MO. — William P. Sharpe, Vice-President of The Mercantile-Commerce Bank and Trust Company, Locust-Eighth-St. Charles, announces that Newell S. Knight has been appointed manager of the bank's bond department. Mr. Knight was formerly associated with Barcus, Kindred & Co. in Chicago, in charge of the trading department.

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SEC To Set Hearing Date On NASD 5% Rule

Before going to press last night we learned that Messrs. A. M. Metz and Edward A. Kole, attorneys for the Securities Dealers Committee, visited the offices of the Securities and Exchange Commission in Philadelphia by appointment to ascertain what action the Commission intended taking in connection with the formal petition filed by the Committee on May 2. This petition applied for the abrogation of the NASD 5% spread rule.

When interviewed, the attorneys for the Committee said they had conferred with James A. Treanor, Director, Trading and Exchange Division. They took the position that since the petition was filed more than 20 days ago the Commission has had ample time to act upon it.

Mr. Treanor gave assurances that the Commission would be advised of the views of counsel for the Committee.

There now seems every likelihood that an early date will be set for public hearings.

NASD Inquisition Is On Again

Questionnaire Rampage In Full Swing

In the current issue of the "NASD News," the National Association of Securities Dealers announces that its "examination program" got under way last month with the mailing of transaction schedules to over 600 members and that at intervals during the next several months the schedules will be mailed to other members until all have been covered.

Says the NASD News:

> "The examination program this year will be conducted along the same lines as that carried out in 1943."

The implication is clear that this snooping plan is intended to be a yearly affair, with annual questionnaires.

FURTHER ON, IN AN ARTICLE ENTITLED "NASD DISCIPLINARY POWER, RIGHT TO EXAMINE MEMBERS UPHELD BY SEC," THE NATIONAL ASSOCIATION OF SECURITIES DEALERS REPORTS ON THE GLEASON CASE. SINCE THE SEC HAS A DEFINITE STAKE IN THAT ISSUE, WHY WOULDN'T IT BE SO UPHELD? CAN IT BE EXPECTED THAT THE SEC WILL IMPAIR THE EFFICIENCY OF ITS AUXILLIARY POLICEMAN? THESE BUDDIES FRATERNIZE IN THE SAME PRECINCT.

True, the SEC may, and from time to time does, examine the books of securities dealers. By upholding the "right" of NASD to go on "fishing expeditions," the SEC, as to a large segment of dealers throughout the country, is relieved

(Continued on page 2143)

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Virgil Jordan Defends America's Business Record

President Of The Industrial Conference Board Condemns Efforts Of "Political Word-Changers, Academic Cake-Eaters And Public Opinion Poll-Catchers" To Change Industrial System—Holds Government Guarantee Of Economic Security Means Loss Of "Every Individual Freedom—No One Can Fix A National Income Figure Or Enforce A Statistical Standard For Employment."

Dr. Virgil Jordan

In the opening of the 28th Annual Meeting of the National Industrial Conference Board at the Waldorf-Astoria Hotel, in New York City on May 18, Virgil Jordan, its President, expressed strong opposition to the new philosophies which condemn America's business past record and which would make radical changes in our economic and social structure to bring about full employment and a guarantee of economic security to everyone.

The address made by Mr. Jordan, who presided at the meeting, follows in full:

In a broad sense it would be true to say that in all the 261 meetings of the Conference Board during the 28 years since it began its work before the last preceding World War we have been discussing one aspect or another of the opportunities and problems of employment, before, during, after and between wars. We talked about the same things a year ago, in this same place, under the imposing title of post-war reconstruction, and in the monthly meetings since we have examined one by one the more important elements in the enigma of post-war employment—inflation, cap-

(Continued on page 2148)

Post-War Outlook For Securities

By RAGNAR D. NAESS*

Investment Counselor Feels It Inadvisable To Count On Post-War National Income Exceeding $90 to $95 Billions —Lower Post-War Prices With Stocks Selling As High And Somewhat Higher Than Now Probable

Ragnar Naess

My assignment is to talk about the "Post-War Outlook for Securities." "Securities" I take to mean common stocks and high-grade bonds with particular emphasis on common stocks. "Post-war" is more difficult to define. The transition from war to peace will be gradual and when all industry is again on a peace basis, many industries will already have been converted for some time. War will merge into peace. I take "post-war" to mean the period after conversion when industry will be stimulated abnormally by a large deferred demand for many products not now available. In this definition, I am making one important assumption — that a large part of this deferred demand will not be satisfied while we are still at war. It is possible that this

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*An address made by Mr. Naess of Naess & Cummings before the Securities and Capital Markets Division of the N. Y. Chapter of the American Statistical Association on May 24, 1944, at the Hotel Sheraton, New York City.

(Continued on page 2145)

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Post-War Employment Opportunities And Problems

By DAVE BECK*

West Coast Labor Leader Sees Federal Fiscal Policies The Answer To Full Employment And Advocates Government Maintaining Our Gross National Income At 165 Billion Dollars By Altering Its Spending And Taxing Policies Every Three Months If Need Be To Make This An Accomplished Fact.

It has been estimated that the coming of peace and the return to conditions of 1939 will find from ten to twenty million individuals—former soldiers and displaced aircraft, shipbuilding, ordnance and other war workers—looking for employment. Whatever the number may be, it is certain that the problem of finding immediate and then permanent employment, for the returning servicemen and for the displaced war workers, will be the No. 1 problem of the nation.

Dave Beck

Only a few months ago a poll of management, conducted by "Fortune" magazine, disclosed that over 70% of our top flight business leaders felt that the end of the war will automatically bring a general boom, with full employment, and an expansion rather than a lessening of production. It is somewhat disheartening to find that businessmen are apparently as complacent about future conditions or as unmindful of the problem of maintaining full employment as this poll indicates might be the fact. I am therefore greatly encouraged to see that as highly a representative business group as is this Conference Board has undertaken a serious study of the problem at this its 28th Annual Meeting.

The subject of post-war employment opportunities and problems is, of course, an extremely broad and complex one, and no adequate treatment of it could possibly be made in the time permitted this evening. As a representative of labor, I offer suggestions with a deep and abiding appreciation of the very fundamental importance of job oportunities to the workers of this counrty.

It is a truism to assert that the workers' greatest need is full opportunity for employment; unfortunately, the full force of that truism is not always apparent or appreciated, even by workers themselves. For the worker it is not only a question of a loss of livelihood; it is a question of the irreparable loss of dignity and self-respect which comes from sustenance on the dole which, in the past, has been the principal answer of our society to the problem. From the union point of view, unemployment has, of course, a direct and inevitable ef-

(Continued on page 2162)

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*An address delivered at the General Session of the 28th Annual Meeting of the National Industrial Conference Board at the Waldorf-Astoria Hotel on May 18, 1944.

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Baker Appoints Morrill Asst. Sales Manager

SAN FRANCISCO, CALIF. — Clifton W. Morrill, Manager of the trading department of H. R. Baker & Co., Russ Building, for the past two years, has been appointed Assistant Sales Manager of the firm.

Mr. Morrill, a graduate of Stanford University, has been identified with the investment business in San Francisco for the past 16 years. In his new position he will assist the supervision of sales activities of the firm in Northern and Central California. H. R. Baker & Co. have offices in 17 cities of California and Nevada.

N. Y. Trust Co. Interesting

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting bulletin discussing the current situation in New York Trust Co. Copies of this bulletin may be had from Laird, Bissell & Meeds upon request.

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R. W. Heward Partner In John G. Hopkins Co.

PHILADELPHIA, PA.—The investment firm of John G. Hopkins & Co., 123 South Broad Street, dealers in Pennsylvania tax-free securities and general market municipal bonds, announces that Richard W. Heward has been admitted to the firm as a general partner. Mr. Heward, who has been associated with Boenning & Co., Philadelphia, for a number of years, is a specialist in tax-free corporate bonds and stocks.

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A National Policy To Attract Private Investment In Railroads

By HENRY S. STURGIS*

Vice-President, First National Bank, New York

Says Loss Of Investors' Confidence In Rails Not Due To Excessive Fixed Charges But To "Erosion Of Net Income" Due To Higher Ratio Of Operating Costs—Advocates Higher Rates, Better Wage Adjustments, And Adequate Provisions For Depreciation And Obsolescence—Suggests "Regional Monopolies" System For Railroads

The subject I have been asked to discuss is the national policy which must be adopted in order to attract private capital. Dean Vanderbilt did not say whether this discussion should cover the railroads alone or the transportation industry as a whole. I propose, because of my greater familiarity with railroads, and because their credit situation has been at a low ebb, to deal mainly with that industry. I feel safe in doing so because, after all, the same credit principles which govern the railroads will apply to all members of the transportation industry.

Henry S. Sturgis

The question as to what the national policy must be to gain the desired result might be answered in one sentence. It must be a policy which will restore confidence in railroad earning power.

What, then, is necessary to re-establish that confidence?

False Economic Theory

Before proceeding with constructive suggestions to this end, it seems to me necessary that we accurately diagnose the cause of the loss of confidence. And in making our diagnosis it is essential to sweep aside one of those false theories by so many of which we have been led astray in the last several years.

It is probable that a very large percentage of the people of the country believe that the fundamental trouble with the railroads is too much debt and too large a burden of fixed interest charges.

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*An address made by Mr. Sturgils before the Institute of Transportation at the Waldorf-Astoria Hotel, New York City on May 24, 1944.

(Continued on page 2160)

STANY Utility Forum To Be Held Today

The Security Traders Association of New York will hold a Utility Forum on Thursday, May 25, at 4:30 p. m. in the Board of Governors Room of the New York Curb Exchange.

Harry Arnold of Paine, Webber, Jackson & Curtis, will be chairman of this forum and will have as speaker Harold H. Young, utility analyst of Bear, Stearns & Co., who will discuss important facts in the utility industry which might affect security values.

Stern, Frank & Meyer To Be NYSE Members

LOS ANGELES, CAL.—Stern, Frank & Meyer, 325 West 8th Street, will become members of the New York Stock Exchange as of June 1, with the acquisition by Louis Meyer, Jr. of the Exchange membership of John T. Collins. Partners of the firm, which holds membership in the Los Angeles Stock Exchange, are Louis Meyer, Jr., Lawrence P. Frank, and Herman J. Stern.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A": Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory: General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines: Massachusetts Power & Light $2 preferred; Majestic Radio: Magnavox Corp.; Brockway Motors, and American Export Airlines.

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Equalization Of Government Subsidies To Transportation

By WILLIAM J. CUNNINGHAM*

Professor of Transportation, Graduate School of Business Administration, Harvard University

Transportation Expert Holds That Each Kind Of Carrier "Should Be Placed On Its Own Feet And Rise And Fall According To Its Own Economy and Fitness." Advocates Fair Charges For Commercial Use Of Highways, Waterways And Airways So That Each Agency "Would Pay Its Way, And Competitive Inequality Disappear."

Among the five forms of transportation—railroads, highways, waterways, airways and pipe lines—the pipe line is the only one that has not received subsidy from the State or Federal Government. In their early days of development many railroads were aided by substantial land grants. The motor carriers in earlier years paid little for the use of the public highways and even now, after a series of increases in gas taxes and registration fees, they are enjoying subsidy in some states where the collections from highway users are less than their fair share of the true cost of the highways. Water carriers on the improved inland waterways are subsidized because they pay nothing for the use of waterways made navigable and maintained by very heavy expenditures of public funds. Air carriers are subsidized by public expenditures in lighted airways, meteorological service, radio beams, and air fields. They are further subsidized in the payments for air mail. As an aid to the development of air transportation the Civil Aeronautics Act provides that the Civil Aeronautics Board shall set the air mail rates on a scale sufficiently high to offset any deficit from the transportation of passengers and air express.

Wm. J. Cunningham

The land grants to railroads were made during their early period of development. No such aid has been extended since 1871. These grants carried with them an obligation on the part of the favored railroads to transport government personnel and commodities at rates substantially lower than those paid by the general public. As a result the government, during the past 75 years, has saved in its transportation bill an amount much greater than the value of the land which the railroads received as an inducement to extend their lines. The railroads, like the pipe lines, own, maintain and pay taxes on their rights of way and are harmfully handicapped in competition with other forms of transportation, which

(Continued on page 2166)

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*An address made by Dr. Cunningham before the Institute of Transportation at the Waldorf-Astoria, New York City, May 23, 1944.

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Thomas Price Joins Campbell, Phelps Co.

Thomas E. Price, formerly of Arrowsmith & Co., New York, is now associated with Campbell, Phelps & Co., Inc., 70 Pine Street, New York City. Arrowsmith & Co. will be inactive for the duration of the war. John E. Arrowsmith, a lieutenant in the Navy, has been on active duty in the Southwest Pacific for over a year.

W. E. Hutton Co. Opens Branch In Portland, Me.

PORTLAND, ME.—W. E. Hutton & Co., members of the New York Stock Exchange and other leading Exchanges, has opened an office here at 188 Middle Street. Edward L. Robinson, formerly in charge of Paul & Co., Inc.'s, local office, will be resident manager. Also joining W. E. Hutton & Co. in the Portland office is Robert G. Wade, previously with Frederick M. Swan & Co.

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Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, will admit Kate Fowler Merle-Smith to limited partnership in the firm as of June 1.

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Real Estate Securities

New York Majestic Interest Distribution Increased As Predicted

Six Months Earnings Through September Should Show Further Improvement

By JOHN WEST

In reporting on these 4% Non-Cumulative Income bonds with stock last October, we called attention to the fact that the rent roll had been increased through additional leases and predicted that larger interest distribution would be the result. Net profit for the six months period ended Mar. 31, 1944 amounted to $53,478.19, an increase of $24,786.25 over the $28,691.94 earned for the previous six months period. Interest is payable in multiples of ¼%, the amount distributable June 1, 1944, will be ½%, the unused portion of $15,596.50, being only $3,344.35 short of a ¼% multiple, will be carried forward into gross income for the succeeding six months period, which will have the benefit of the carryover and of about $20,000 seasonable reduced steam expense. These facts augur well for a larger interest distribution Dec. 1, 1944.

We still believe these securities are underpriced and for additional information in reference to them, we reprint part of the article which appeared in this column last October.

The property owned by the corporation has a frontage of approximately 204 feet on Central Park West, with depth of 177½ feet on 71st Street and 224 feet on 72nd Street. It is improved with a 30-story apartment building containing 1,403 rooms divided into 208 apartments in units of from two to 12 rooms. In addition, there are ten offices. The apartments are both simplex and duplex types. A special construction eliminates the usual corner columns or piers. This space, up to the 19th story, is used for glass-enclosed porches, which can be transformed in the summer into open terraces. In the upper stories the "set backs" are so planned that large terrace space is provided for all apartments located on these floors. All apartments have spacious galleries and ceilings of extra height. There is a large solarium on the roof open in summer and enclosed with vita glass in the winter. Entrances to the buildings are provided on all three streets.

Shortly after the reorganization, the bondholders in referendum vote approved the placing of a first mortgage loan upon the property in the amount of $2,500,000, which provided for the payment of a balance of $94,295.03 of reorganization expenses and a reserve of $50,000 for first mortgage charges and sufficient funds to distribute $230 in cash as a principal reduction of each $1,000 income bond, which now is outstanding in the principal amount of $770.

The original first mortgage placed upon the property in 1937 in the amount of $2,500,000 was held by the Mutual Life Insurance Co. and called for 4½% interest for the first five years, 4¾% for the next five years and for amortization payments of $50,000 per annum.

This mortgage was funded by a new loan from the Aetna Life Insurance Co. in August, 1940; this mortgage runs until Dec. 29, 1947, calls for 4% interest and annual amortization of $50,000. The corporation has accelerated amortization payments. The balance sheet as at March 31, 1944, shows $2,200,000 outstanding.

Provision is made in the trust indenture that the property may be sold, but for not less than $5,000,000 unless 40% in principal amount of bonds dissent thereto within 30 days after notice of such contemplated sale has been mailed to registered holders. In our opinion, the income bonds which carry 100% of the stock of the owning corporation are in a very excellent equity position.

M. A. Hanna Company Makes Exchange Offer

The M. A. Hanna Co. has mailed to holders of its $5 preferred stock a prospectus offering to exchange $5 shares for shares of the newly-authorized issue of $4.25 preferred stock at the rate of one and one-twentieth new shares for each old share. Holders are asked to deposit their $5 shares for exchange with either Bankers Trust Co., New York, the National City Bank of Cleveland or American Trust Co., San Francisco. The exchange offer will remain open through May 31 unless all of the new shares are taken before then.

As but 100,000 new shares are to be issued, only a portion of the present 128,531 $5 shares can be accepted for exchange, and, as explained in the prospectus, exchanges will be accepted by the company in the order received. Upon declaring the plan of exchange effective the company will call for redemption any of the shares of the $5 cumulative preferred which are not deposited for exchange. To provide a portion of the funds to effect such redemption the company may sell to underwriters shares of the $4.25 cumulative preferred as may not be issued pursuant to the exchange offer. Principal underwriters are Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc.

AVAILABLE SECURITY ANALYST

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The Progress And Prospects Of Our Oil Industry

By JOHN A. BROWN*

President, Socony-Vacuum Oil Company, Inc.

Oil Executive Points To Favorable International Position Of American Oil Interests, Accomplished Without Government Participation. Warns U. S. Government Operation Of Foreign Fields Would "Raise Again Cry Of Yankee Imperialism And Would Gain Us Nothing." Sees American Oil Ample And No Hoarding Of Reserves Necessary Or Advisable.

Words express thoughts inexactly. We say "private industry" or "free private enterprise," but we know there is no complete freedom for our lives or business, and there is little privacy for modern corporate enterprise.

John A. Brown

Corporations exist by public approval through the laws of our States. Shares in their debts and their profits (when there are any) are owned by very large numbers of the general public in the form of bonds and stocks. The public, as a whole, through the tax laws (of which the Income Tax Law is but one) takes most of the corporate income remaining after payrolls, materials and administration costs are paid, and requires voluminous reports from management to public authorities.

The money finally distributed to creditors as interest and to stockholders as dividends is again in substantial degree taken for the public as a whole through the income tax. Much of it goes to mutual insurance companies, educational institutions, hospitals and socially valuable organizations.

Society pays an exceedingly low cost in net percentage of sales or capital investment to ownership or management of business enterprise. We are already collectivist to a large degree. A drift to full collectivism is sure to cost more. We would have limitless power over our lives and fortunes placed in the political sphere. We would have less production to distribute. We would all have far less freedom than we now enjoy, if indeed we could have any freedom whatever, and our mental and spiritual life would wither.

Therefore it is our duty to examine with anxious care all suggestions that the Government should take over some of the functions of business, or increase its control over it, or have a proprietary interest in it, or draw off too much of our substance by excessive taxation in peace time, thus crippling its ability to improve products, lower costs and expand to meet growing demand. The regulatory powers of Government have been vastly extended in recent years, and need to be re-examined to see whether some of these extensions promote or retard the welfare of the people. An improvement in the organization of American government could contribute greatly to national progress. We need a highly trained, competent and well-paid group of career civil servants working under sensible laws and holding their authority to the minimum required for the public welfare. With such a truly modern government, modern business could work in harmony, reaching new high levels of achievement.

Our petroleum industry started

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*An address delivered by Mr. Brown before the Economic Club, Hotel Astor, New York City, May 9, 1944.

(Continued on page 2164)

N. Y. Security Analysts Elect Ghas. Tatham

Charles Tatham, Jr. has been elected President of the New York Society of Security Analysts, Inc., succeeding Lucien O. Hooper, of W. E. Hutton & Co.

Charles Tatham, Jr.

Mr. Tatham was educated in Switzerland and Harvard College, beginning his first business experience with the Boston investment counsel firm of Loomis, Sayles & Co., Inc., in 1928. He subsequently worked as public utility security analyst for the Central Hanover Bank & Trust Co. and Standard Statistics, Inc. In 1934 he became associated with the firm of Institutional Utility Service, Inc., which furnishes a detailed operating and financial service covering public utility companies, and of which he is Vice-President. He became a member of the New York Society of Security Analysts shortly after its organization in 1937.

Other officers elected at the annual meeting of the Society include N. Leonard Jarvis, of Penington, Colket & Co., as Vice-President; Oscar M. Miller, of General American Investors Co., Inc., as Secretary; Lancaster M. Greene, of Lancaster & Norvin Greene, Inc., as Treasurer, and as members of the Executive Committee, Thatcher Jones, of Lehman Bros.; E. Ralph Sterling, of Merrill Lynch, Pierce, Fenner & Beane, and Wm. Hamilton Swartz, of Goodbody & Co.

It was announced at the annual meeting that the membership of the Society has reached a new high of 630 security analysts. The Society holds three luncheon forums each week, usually having as the principal speaker an executive of a major corporation.

At the regular luncheon meeting scheduled for May 26, the Society will hear Pierre R. Bretey, of Baker, Weeks & Harden, who will discuss recent reorganization developments in Soo Line, Western Pacific, North Western and Rock Island.

Attractive Situations

Panama Coca-Cola Bottling and Coca-Cola Bottling Co. of New York offer interesting situations according to circulars being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of these circulars may be had from the firm on written request.

Also interesting at current levels is Butterick Co., Inc. A circular discussing this situation may also be had from Hoit, Rose & Troster on written request.

NASD Inquisition Is On Again

(Continued from page 2139)

of these examinations. The burden of preparing and submitting data is placed upon all NASD members. In this way there is assurance of group annual reports by indirection, for there is grave doubt whether the SEC could compel answers being made by the entire industry to such an inquisition. Such a practice is not equivalent to the right of visitation which the SEC possesses, and up to now no such effort has been attempted by it.

Your next reasonable question will be, "Do you mean to tell us that in some instances the NASD has greater powers than the SEC?"

Indeed we do. This is one of them and here is how it can be explained.

First, there is the erroneous claim, as we have frequently indicated, that the NASD is a voluntary association. The next step in this "logic" is that by applying for membership, one agrees pursuant to Section 4 of the by-laws to comply with the "certificate of incorporation, the by-laws, the rules and regulations of the corporation." Hence, if any of these empower the NASD to send out questionnaires, a member who fails to answer, violates his agreement. Neat, isn't it?

Emphasis on the Gleason case is no coincidence. It is directed towards whipping the membership into answering promptly in an effort to provide the Business Conduct Committees with material for disciplinary proceedings, all of which is made possible by the colorable claim of a voluntary membership.

In its current issue of the "NASD News," the National Association of Securities Dealers may have unwittingly pointed to a possible source of relief. Referring to an appeal from certain disciplinary proceedings, it indicated that the Department of Justice, as Intervenor, attacked the legality of the Maloney Act, the foundation upon which NASD rests.

Some courageous dealer, angered by the injustice of these superimposed inquisitions, and by the autocratic passage and enforcement of the "5% spread philosophy," is bound one day soon to follow the same tack and to settle that issue once and for all.

The attitude of "The Chronicle" on unconscionable mark-ups is unwavering. We have always opposed and will continue to oppose them. Nevertheless, we feel that the securities industry as a whole is composed for the most part of honest men and is no worse than any other industry or profession.

Relief from unfair practices can and should be established by legal means.

Unfortunately, the powers that be in NASD have mistaken their function. In effect, their attempts at regulation have created artificial distinctions between the "big fellow" and the "small dealer."

OUR FIGHT WILL ALWAYS BE TO SEE THAT THE RIGHTS OF BOTH ARE PRESERVED.

Dallas Bond Club To Hold Spring Outing

DALLAS, TEX. — The Dallas Bond Club will hold its annual spring outing on May 30, at 9:00 a.m., at the Glen Lakes Country Club. Reservations, which close Friday, May 26, are $3.50 with golf; $2.50 without golf. The outing is open to all registered securities dealers and employees.

Checks for reservations should be mailed to Rogers Ray, Rauscher, Pierce & Co., Mercantile Bank Building, Dallas.

Recently elected officers of the Bond Club are: James F. Jacques, Dallas Rupe & Son, George T. Hemmingson, Crummer & Company of Texas, Joe M. Callihan, and Judson S. James, James, Stayart & Davis, directors; Rogers Ray, Rauscher, Pierce & Co., Secretary & Treasurer.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request.

Jefferson, Fritz, Rehnstrom Formed In N. Y. City

Jefferson, Fritz & Rehnstrom has been formed, with offices at 29 Broadway, New York City, to engage in a securities business. Partners are Edwin Jefferson, Paul H. Fritz and Aleck Rehnstrom.

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Railroad Securities

Another important step in the simplification of the Allegheny Corporation set-up is in prospect over the immediate future, with the remaining 5s, 1949 and 5s, 1950 expected to be called with the proceeds of a low coupon convertible issue. While financial circles were not surprised by this latest development (refunding of the 5s had been taken for granted ever since sale to the public of a large share of the Chesapeake & Ohio holdings), there was some surprise over the fact that there is apparently to be no competitive bidding for the new issue.

Chesapeake & Ohio interests have been among the leaders in the fight for compulsory competitive bidding for rail financing and among the main critics of the "evils" inherent in negotiated deals. Naturally, the proposed Alleghany refinancing is not covered by the recent ruling by the I.C.C. calling for competitive bidding on most railroad bond financing. Nevertheless, it is considered in many quarters that the principles involved are the same. Be that as it may, the recent and prospective developments in the Alleghany picture have enhanced materially the speculative position and prospects of the preferred stocks.

The company realized close to $32,000,000 from the sale, also without competition, in March of 704,121 shares of Chesapeake & Ohio common. Part of the proceeds was placed in $14,500,000 of short-term U. S. Treasury Certificates. Somewhat more than $10,000,000 was used in the open market purchase of a widely diversified list of securities of reorganization properties, practically blanketing the field. These purchases included the old and new (when - issued) securities of Northwestern, and bonds of St. Paul, Rock Island, Denver, Florida East Coast, all of the Missouri Pacific group, New Haven, Frisco, and Seaboard. Few of the individual items went as high as $1,000,000 par value, with the heaviest dollar investment in the Missouri Pacific situation. The purchases included $3,325,000 of MOP 1st & Refunding 5s.

The two series of Alleghany Corporation 5s are outstanding in the amount of $40,798,000 which, with the redemption premium, will require $41,808,970 for retirement. The new issue is to be in the amount of $30,000,000, so that presumably some of the short-term Treasuries are also to be used. It appears likely, therefore, that the plan does not call for immediate entire elimination of the present bank loan which was reduced to $9,000,000 after sale of the Chesapeake & Ohio common. However, available cash should be sufficient to retire some $4,000,000 of this obligation, leaving a total debt of $35,000,000.

The new $30,000,000 bond issue is, according to present indications, to carry a 3¼% interest rate and mature in ten years. It will be secured by pledge of 1,100,000 shares of Chesapeake & Ohio common, constituting practically all of the stock still held by Alleghany. The bonds will be convertible into the C. & O. stock but at the time of this writing the details of the conversion option have not been announced.

The vast improvement in the Alleghany Corporation debt structure does not presage any immediate action with respect to preferred dividends as it is believed that excess income will still be used for further debt reduction, and eventual complete liquidation. At the recent annual dividend rate of $3.50 a share the Chesapeake & Ohio common to be pledged under the new issue will bring in $3,850,000 in dividend income a year. The interest requirement on the bonds will amount to only $975,000. Income from other holdings should be more than sufficient to take care of general expenses, taxes and what may remain of the bank loan. Thus the average of income from the pledged collateral as against the bond interest requirements would amount to $2,875,000 a year, or nearly enough over the ten-year life of the bonds to retire the entire issue at par without taking into account the possibility of earlier elimination of the bonds through conversion.

The income from the 1,100,000 shares of Chesapeake & Ohio common stock, less annual interest on the proposed bonds and the regular dividend on the prior preferred stock, is alone equivalent to approximately $4.00 a share on the regular 5½% preferred stock. This earning power will be bolstered materially by income received on the diversified list of reorganization securities recently purchased.

Interesting Situations

Mansfield Tire & Rubber and Michigan Public Service offer interesting possibilities at the present time, according to analyses issued by Otis & Co., Terminal Tower, Cleveland, Ohio. Copies of these memoranda may be had from the firm upon request.

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Great American Industries Situation Of Interest

F. H. Koller & Co., Inc., have prepared a comprehensive analysis on Great American Industries which the firm believes appears attractive at current levels. Copies of this interesting analysis as well as a circular on Bartgis Bros. may be had upon request from F. H. Koller & Co.

The firm has announced the removal of its offices to new and larger quarters in the same building at 111 Broadway, New York City.

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Public Utility Securities

National Power & Light

National Power & Light is one of the few holding companies to achieve an all-common stock basis, and the company will be liquidated as soon as final SEC "clearance" is obtained on all problems relating to distribution of its assets. Minor system assets have been largely disposed of, except for Memphis Generating and Edison Illuminating Company of Easton which remain unsold. Important holdings are the common stocks of Birmingham Electric, Carolina Power & Light, and Pennsylvania Power & Light. A number of readjustments have been made in the Carolina and Birmingham companies in order to "streamline" these companies to the satisfaction of the SEC and to readjust their stocks for convenient distribution to stockholders of National—Carolina on the basis of one for six, and Birmingham in the ratio of one for ten shares of National.

The largest holding and the major problem is Pennsylvania Power & Light, whose revenues constitute about 60% of the system total. The company reports a net plant account (after depreciation reserve) of about $198,000,000. Of that amount the Federal Power Commission wants to write off over $66,000,000 (part of which might be amortized out of future earnings). As the common stock equity amounts to only about $27,000,000 this would obviously raise difficulties with the present capital structure, even if a substantial amount could be amortized. Three-quarters of earnings are being "plowed back," but this process of building up surplus is slow. The company on Feb. 12 this year advised the Federal Power Commission that it already had made provision for some $15,845,008 of the write-off and that a considerable amount of the balance was subject to controversy between the company and the commission.

Should the FPC and SEC be unwilling to reduce their estimates of the required write-offs, National Power & Light might be required to make a contribution of approximately $23,000,000 to Pennsylvania, the remaining amount being met through cancellation of the present common stock equity, and future amortization of the $15,668,403 assigned to Account 100.5. This cash might logically be used to reduce funded debt, possibly retiring the $28,500,000 debenture 4½s of 1974. The improvement thus attained in an already strong favorable position might permit refunding the three preferred stock issues ($7, $6 and $5 dividend series).

Assuming that this program were carried out, the balance for the common stock might be nearly doubled, it is estimated, on the basis of 1943 results. This estimate is based on the assumption that no excess profits tax need be paid on the interest savings effected by retirement of the debentures.

Using a "ten times earnings" multiplier, the $22,000,000 estimated contribution which National might have to make to Pennsylvania would about equal the available proceeds from public sale of the Birmingham and Carolina stocks (whose equity earnings currently total about $2,058,000). However, National might be almost reimbursed for this outlay by the increased value of the Pennsylvania stock, assuming that the preferred stock refunding could be worked out as estimated. Tax adjustments for the three companies, which it is impossible to estimate with any accuracy, might throw these calculations awry. However, assuming that the program were consummated as here suggested, the stock of Pennsylvania might be worth about $39,000,000 on a rule-of-thumb estimate—which works out at about $7.15 per share of National (currently selling at 6¼).

In determining whether National Power should be permitted to make a distribution of Carolina and Birmingham (rather than a sale) the SEC might be influenced by the fact that the top holding company is Electric Bond & Share, which in any distribution would receive a substantial part of National's assets. Even if a complete distribution of National's assets were made, including Pennsylvania, the latter would remain a subsidiary of Electric Bond & Share, and thus the clearing up of its capital structure would remain under SEC jurisdiction. However, the Commission may decide that it is better to treat all the stockholders in National on the same basis, and not throw a larger burden of readjustment on the majority stockholder, Electric Bond & Share.

Current Report Available

H. R. Baker & Co., Russ Building, San Francisco, Calif., have issued a current report on Bank of America. Copies of this interesting report may be had from the firm on request.

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Edward G. Budd Letters Involving Right of Employers to Free Speech

In the issue of the "Chronicle" of May 11th (p. 1950) there appeared an item covering the decision of the Third Circuit Court of Appeals at Philadelphia, upholding the right of employers to express their personal views to employees about labor organizations. The case involved Edward G. Budd, President of the Budd Manufacturing Co., who was cited for contempt by the National Labor Relations Board because of the contents of two letters addressed to the employees of the company, the NLRB contending that Mr. Budd "by implications tried to convince employees that an independent union would be better for them," and that this constituted a violation of the section of the Labor Act, which prohibits employers from interfering in the choice of organizations by employees to represent them in making collective bargaining agreements. In view of the widespread interest in this case, and the further implications that might be drawn regarding its application in labor and employer relationships, the "Chronicle" publishes below copies of the letters written by Mr. Budd, and furnished to us by Henry S. Drinker, of Drinker, Biddle & Reath, Philadelphia, attorneys for the company, which were the basis of the War Labor Board's complaint:

Edward G. Budd

Dear ———

I sincerely believe the attached pages contain information of vital importance to you. Briefly, the facts are as follows:

1. On Monday, the Supreme Court of the United States declined to review the decision of the Labor Board and the United States Court in Philadelphia concerning the Employees' Representation Association.

2. This decision compels the company to withdraw its recognition of the Employees Representation Association as the bargaining agency for its employees.

3. This decision further places upon you and your fellow workers the responsibility of the future. You may decide to:

a. have no union at all in the plant,

b. affiliate with an outside organization,

c. form an independent union of your own.

In any event, yours is the freedom of choice. You should, however, not act without a complete knowledge of the facts concerned, and I am therefore setting forth in the attached pages a detailed statement for your consideration.

I most strongly urge that you read these pages carefully, and give them your mature deliberation before arriving at a decision.

Sincerely yours,
Edward G. Budd
President

The contents of the pages referred to in the above letter follow:

February 29, 1944

On Monday the Supreme Court of the United States declined to review the decision of the Labor Board and of the United States Court in Philadelphia. This will require the Company to withdraw its recognition of the E.R.A. as employees.

The Supreme Court did not itself pass directly on the questions in controversy. Under the law, that Court need not take up every

(Continued on page 2165)

Tomorrow's Markets Walter Whyte Says——

Market trying to get going but lack of interest proves stumbling block—London prices now point down, possibly indicating war news we, so far, know little about —Individual issues act well.

By WALTER WHYTE

With the exception of a few days scattered strength, the market as a unit did little since last week's column was written to cause any jubilation or intensify the nervousness. Saturday's market, for example, was good. At least a respectable number of stocks moved along as if they meant business. But, at the beginning of the new week, Monday, all the good actors of the previous market day, apparently overcome by previous exertions, sank back into lethargy. Even the rails which last week showed an exemplary spirit of independence got all out of breath and dropped in their tracks. Obviously, such action doesn't make for any enthusiasm by any of the board-room crowd. And, so far as the floor is concerned, it is back at the business of sniping for fractions with few carrying stock overnight.

* * *

This was the position that obtained until Monday night. On Tuesday the complexion

(Continued on page 2165)

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May 25, 1944

Post-War Outlook For Securities

(Continued from page 2139)

assumption will not hold water. Under this definition I bridge the gap of reconversion problems such as cancellation of government contracts, accumulation of government stock piles out of surpluses, disposal of war inventories and many other problems of more immediate importance.

Obviously the level of common stocks in the post-war period will depend upon (1) earnings and dividends at that time and (2) the rate at which investors are willing to capitalize these earnings and dividends. Earnings and dividends depend primarily upon business activity, but two other factors of great importance are profit margins and taxes. The rate of capitalization depends upon the social, political and economic environment which creates the "state of confidence" of the investor.

The difficulties of judging the outlook for post-war common stock prices are evident from a mere recital of these "unknowns." These difficulties are increased many fold since the post-war period is probably two to four years off. To be asked to talk in public about events that may occur in two to four years is indeed being put on the spot!

The Post-War Level of Business

It is easy to build dream castles about the post-war world. Free play of one's imagination can yield highly gratifying results. It is, in fact, becoming fashionable to assume the nearly full utilization of our productive capacity after the war. This is because we dread the possibility of returning to less favorable conditions.

As a result, we hear of estimates of post-war business of 180 upwards in the FRB index with a few observers even expecting a level close to the present figure of about 240.

Such ideas to my mind must be based to a considerable extent upon wishful thinking. It is easy to be optimistic if one starts with the assumption that nearly our entire peacetime labor force will have to be employed. In that case business would, of course, be extremely active. Similarly, it is easy to be optimistic if one starts with the size of the post-war public debt and assumes that business will be at a level necessary to support and amortize this debt. It surely is highly desirable to employ nearly our entire peacetime labor force and to maintain a volume of business that can support our immense post-war debt. The desirability of these aims does not secure their fulfilment. Post-war production will be determined to a great extent by the economic forces that dominate our economy at the time, and not by the size of our debt or our peacetime labor force.

The war guarantees a market for goods and services of about $90 billions a year. During war there is no problem of distribution—only one of organization and production. Our resources and technical skill are unparalleled. The war production problem has, therefore, been solved with a magnificent record.

During the post-war period this guaranteed market might shrink to less than $10 billion. The crux of the problem of post-war activity is the extent to which the revival in civilian production will offset this enormous shrinkage in our current production for war.

We are aware of the large deferred demand for certain consumers' goods and for some kinds of producers' capital goods that have not been manufactured in any volume for many months. We know about the tens of billions of dollars that have been saved by industry and labor and we know that these billions will be available to finance, at least in part, the satisfaction of needs and wants that cannot be met now. New and modern plants and equipment will bring an enormous increase in our capacity to produce and our skilled labor force will be unparalleled. Industry has "on ice" and in the "idea stage" an enormous number of new or improved products to whet the appetite and stimulate the desires of consumers. A war-torn world is waiting anxiously for the day of reconstruction and the re-establishment of normal life. Perhaps most important of all, American industry, labor and the consumer are acutely aware not only of the obvious desirability of utilizing as fully as possible our enlarged productive capacity but also of the necessity to do so if we would reap the benefits of our resources in a higher standard of living.

All of these are important, favorable and constructive elements in the post-war economic situation. Apart from these factors, we will maintain a permanent military establishment and a permanent war industry which will help to maintain our economic activities.

Economic laws and forces are stubborn, however, and we still have to reckon with them. The most carefully compiled estimate I have made suggests that despite all these favorable factors, it will be very difficult to offset by increased civilian production and by the maintenance of considerable peacetime armed forces, more than about one-quarter to one-third of the drop in war production. This is because our war production is so gigantic. Even after giving all possible weight to post-war favorable factors, this is the best that I can do. On this basis, post-war national income should run about $90 to $95 billions, and the FRB index should be about 140. Now remember that this volume of business might prevail after complete conversion of American industry and full recovery of civilian production. During the interim period, activity may be lower.

This estimate may prove to be too high. On the other hand, I may not have used my imagination enough to allow for the enormous changes that will be brought about by the war. As a person responsible for advising clients for a fee, I am forced to make important decisions affecting their welfare. In that position I would dislike to use a higher figure and I might prefer a somewhat lower one.

A level of post-war business of 140 in the FRB would be the highest on record in peace times. It would be 30% higher than the level of 1939. Compared with the pre-war record of American business, it would be highly satisfactory. Against the war record, it would be considered unsatisfactory.

Having jumped the hurdle of post-war business, I shall now come to some of the other factors having an important bearing on prices of common stocks.

The Post-War Price Level

I hasten to discuss one subject of great interest—the price level. A lot of arguments of a rather general nature are being used to prove that prices must rise much further. We hear that higher prices are inevitable because of such factors as the enormous public debt, the huge banking deposits, the huge savings that will press on markets and the high hourly wage rates.

Our public debt will be huge but it will certainly not be so great that our people will lose confidence in the dollar and stampede for tangible commodities.

Huge banking deposits may not mean higher prices but rather a slower turnover of dollars. These deposits are available to finance any conceivable needs of industry, but more than huge banking resources is required to encourage greatly expanded bank loans.

The spending of consumers' savings will stimulate the demand for goods. A great part of these savings, however, will be kept for a rainy day. After the war, millions of people will look for work and other millions will have reduced incomes. It is only to be expected that a substantial proportion of their savings will be spent only as needed for necessities. I do not underrate the stabilizing influence that these enormous saving will exert, but I believe it unwise to assume that these savings will be spent on a reckless scale.

Prices of certain goods, particularly of consumers' durable goods, certainly will rise if price controls and rationing should be removed immediately upon the conversion of industry and before such goods are produced in large volume. If controls were immediately removed, prices for such goods would resemble those in some of our second-hand markets and in the black markets of occupied Europe. It would take more than the wisdom of Solomon to decide who should be the lucky recipients of such goods as are available. The pocketbook of the prospective purchaser would undoubtedly have a lot to do with it. No responsible retailer or manufacturer would wish such an unhappy and unfair situation to develop. Necessity will force continuation of rationing and price controls until a long list of "scarce" commodities is again available in large volume.

There will, however, be available for the market an even longer list of "over-abundant" commodities. Agricultural products will be abundant despite large exports of staple foods for reconstruction. Most metals will be in excess of supply and the volume of available steel will be very large. The supplies of many manufactured products will be more than ample to meet post-war demands. We can all think of examples. No rationing or price controls will be needed for such products. On the contrary, the problem will be one of keeping prices of such goods from declining too much. Price "floors" rather than price "ceilings" are bound to become a popular subject for discussion during the next few years. You might say that this overabundance would perhaps arise immediately after the war but that later on surpluses will have been absorbed and the pressure on prices removed. However, American industry at that time would be able to turn out an immense volume of civilian goods to satisfy all requirements.

Prices are likely to be lower rather than higher because of two factors aside from our potential productive capacity, namely greatly increased productivity and keen competition. The record of the last few years gives a clue to the potential productivity of American industry. We had no experience in war production. We started from scratch. Available skilled labor was soon exhausted. Millions of new workers were trained overnight. In face of all difficulties, output per man hour probably increased more than one-sixth in the four years ending 1943. In the post-war period, with a highly modern plant and equipment and with the use of the most skilled of the greatly increased skilled labor supply, who can doubt that there will be a further great gain in productivity? During the last four years increased productivity and higher prices have almost offset increased hourly earnings. They actually did, if allowance is made for overtime pay rates. The genius of American management and the skill of the American workmen made possible this wonderful achievement with an increase of 49% in the average hourly wage rate in manufacturing. In the face of this large rise in wage rates, the wage cost per unit value of output in manufacturing industries in 1943 was only 7% higher than in 1939 and 3% higher than in 1937. Further substantial gains in productivity when new techniques, processes and equipment become available for use with greatly increased skill should, over a period of time, offset higher wage rates and reduce wage costs per value unit of output. It will take time and effort to accomplish this, but there is no reason to expect a basic change in the long-term trend toward improved productivity in American industry.

Competition will be keen after the war because manufacturers will strive to secure the largest possible share of the available market to employ their enlarged facilities and labor force. Someone is bound to attempt this by lowering prices even if profits should be reduced temporarily. Many manufacturers regard the post-war period as providing a real opportunity to improve their relative pre-war position and to enter new markets by supplying a superior product at a low price. Certainly, industry will have the financial resources for this purpose.

In the light of these considerations, I regard it as far more probable that post-war prices will be lower rather than higher than today's prices. In my estimates of post-war business I have assumed a moderate decline of about 10% from present levels.

Apart from economic factors, we must reckon with the power of the government. The political party in power is bound to consider the prevention of a large price rise as among the uppermost problems on the post-war calendar. The peace will not be won if we go through an inflation followed by a serious price collapse with dire consequences. The government will retain large enough powers to prevent a large price rise, but it will probably not be necessary to use them. On the contrary, it will likely become necessary to cope with the problem of stabilizing a declining price structure.

Post-War Profit Margins

During the last four years, rising prices and a huge volume of goods in a seller's market have given industry abnormally high profit margins before taxes. Corporate profits before taxes in manufacturing industries in 1942 were 16.8% of total assets as against 5.7% in 1939. During 1943 the return before taxes on total assets was probably even higher. In 1942, corporate profits before taxes in manufacturing industries were 10.9% of gross receipts as compared with 5.6% in 1939 and 6.4% in 1929. Last year's total corporate profits before taxes in all industry were in excess of $23 billions. This compares with about $5 billion in 1937 and 1939 and with about $9 billion in 1929. The enormous war profits before taxes and the high returns on invested capital and on total receipts before taxes are typical of boom conditions. The less efficient managements are able to show highly satisfactory results before taxes during a boom. In the post-war period the return on capital or on gross receipts will return to a much lower and more normal level. For a while after the war such returns may even be less than normal because of the difficulties of reducing costs within a short period of time. With the same volume of business as in 1940 or in 1941, industry is likely to find that the return on capital before taxes will be much smaller than during those years.

Post-War Corporate Taxes

Federal government expenditures during the post-war period will probably run for $20 billions for the most necessary expenses without allowing for any abnormally large expenditures for public works. This would include interest on the public debt, the ordinary expenditures for running the various departments and agencies, the maintenance of a large military establishment, the expenditures for war veterans and social security, and a considerable amount of public works expenditures. The post-war national income and volume of business that I foresee would not yield enough to meet these expenditures if personal income taxes are

(Continued on page 2157)

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number thirty-three of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

A War Correspondent Speaks

High up in the world's tallest sky-scraper, The Empire State Building in New York, we at Schenley have a men's luncheon club. It is called the First Name Club. Each week we have a guest speaker. Some great men have talked to us on many varied subjects during the past few years.

But I am thinking of our last Thursday's meeting, and I am thinking of how strong was my wish that the room where we met might have been big enough to have held a vast throng of people, instead of just a comparatively few members of our luncheon club; and this is why.

We had, as our guest, a famed war correspondent. He has been with the British Army since a month after Great Britain had entered the war. He is an American, and is home on "sick leave" as he put it. The truth is, an hour after he spoke to us, he was scheduled to receive the award of the Purple Heart. He had been wounded in action in Africa.

I said that I wished that the room might have been big enough to have held thousands, instead of a few. I meant just that. I would have had every man and woman, who is working in our war plants, present, to hear our guest speaker pay tribute to the part that American matériel* played in that great, historic drive, in North Africa, from El Alamein to Tunisia.

And what a lot of renewed inspiration in our guest's message to the worker who perhaps spends his or her days or nights putting in single nuts or bolts in tanks or planes or jeeps or gun carriages; a job that seems so monotonous and unheroic. *But there are no unimportant jobs*. Each is a great big one or—a **big** little one!

From now on, whenever I pass a plant where war work is going on, whether that plant produces planes, or ships, or guns, or tanks, or jeeps, or alcohol for war purposes, or what not, I am going to think of brave men in a disastrous retreat from Tobruk toward Egypt, because of lack of essential equipment. Then I shall picture a miracle stand at El Alamein, followed by a victorious march starting at El Alamein—because matériel*, made by American workers' hands, had arrived in quantity and—in time.

And if you don't mind, I am going to bring up my hand, humbly and perhaps awkwardly—in a respectful salute.

MARK MERIT
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*P.S. *Matériel—bought and paid for by your and my purchases of War Bonds and Stamps.*

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Ohio Personnel

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Edward A. Stanton** is now affiliated with **Cunningham & Co.,** Union Commerce Building.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**George D. Schrauf** has been added to the staff of **C. J. Devine & Co.,** Union Commerce Building.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Spencer C. Duty** is now with **Maynard H. Murch & Co.,** Union Commerce Building.

Ohio Brevities

Refinancing of its outstanding funded indebtedness and bank loans has been completed by Republic Steel Corp.

The company has sold $50,000,000 of 3½% first mortgage sinking fund bonds to 11 insurance companies and negotiated $24,500,000 of serial bank loans with its regular commercial banks, the company announced.

It will redeem $57,577,500 outstanding 4½% general mortgage bonds on June 17 and on June 5 will retire $5,748,000 of Gulf States Steel Co. 4½% first mortgage sinking fund bonds. Over $8,000,000 five-year serial notes outstanding have already been paid.

The new bonds, due in 1964, sold at face amount plus a premium of 1½%, and the notes are due in 7 years.

In insurance group were: Metropolitan Life Insurance Co., New York Life Insurance Co., John Hancock Mutual Life Insurance Co., Equitable Life Assurance Society of U. S., Massachusetts Mutual Life Insurance Co., Aetna Life Insurance Co., New England Mutual Life Insurance Co., Sun Life Assurance Co. of Canada, Mutual Life Insurance Co. of New York, Penn Mutual Life Insurance Co. and Connecticut Mutual Life Insurance Co.

Dillon, Read & Co., Glore, Forgan & Co. and Lehman Bros., acting as agents, arranged the sale.

* * *

Ten Cleveland firms were members of a syndicate headed by Kuhn, Loeb & Co. and Harriman, Ripley & Co. which offered a new issue of 100,000 shares ($10,000,000) of $4.50 preferred stock, Series A, of Industrial Rayon Corp.

In the group were Hayden, Miller & Co., Hawley, Shepard & Co., McDonald-Coolidge & Co., now McDonald & Co., Merrill, Turben & Co., Ball, Coons & Co., now Ball, Burge & Co., Curtiss, House & Co., Fahey, Clark & Co., Field, Richards & Co., First Cleveland Corp. and Maynard H. Murch & Co.

Stock was priced at $99 a share to the public and proceeds with other funds, will be used to retire $10,000,000 promissory notes to banks. The notes were issued last Jan. 3, principally to finance part of $14,000,000 expansion program at several of the company's plants. Other principal underwriters were Blyth & Co., Inc., Goldman, Sachs & Co. and Lehman Bros.

* * *

M. A. Hanna Co. stockholders have approved, by a large majority, proposed issuance of 100,000 new $4.25 preferred shares.

The company stated as 100,000 new shares are to be issued, only a portion of the 128,531 outstanding $5 preferred shares can be accepted for exchange and exchanges will be accepted by the company in the order received. The company will make an offer to stockholders to exchange the new shares for each $5 preferred share on the basis of 1 1/20 new share for each old share held. Hanna is an iron ore, coal and shipping company.

* * *

Emil Schram, president of the New York Stock Exchange, addressed members of the Northern Ohio Group of the Investment Bankers Association, Cleveland Security Traders Asociation, the Bond Club of Cleveland, National Security Dealers, Inc. and heads of Cleveland banks yesterday. Association of Stock Exchange Firms sponsored the meeting at which Percy W. Brown of Hornblower & Weeks, presided.

* * *

Cleveland Trust Co. was among 17 banks headed by the National Bank of Detroit participating in a $30,000,000 "VT" revolving credit to the Continental Motors Corp.

* * *

John E. Dwyer, trustee of the Inland Power & Light Corp. since November, 1940, has become associated with Otis & Co. as vice president and will be located in the company's Chicago office. A director of Pere Marquette Railway, Dwyer has spent most of his business career in the investment banking field. He was vice president of Pearson-Taft Co. of Chicago.

* * *

Alleghany Corp., top holding company of the Chesapeake & Ohio Lines, has filed a lengthy application with the I.C.C. for an order designed to pave the way for eventual merger of the Chesapeake & Ohio Railway, Nickel Plate Road and Pere Marquette Railway.

Robert R. Young, chairman of Alleghany and C. & O. Railway, asserted the corporation is "asking the commission to confirm its position that no authority for control (of the roads) is necessary." Last Feb. 8, the commission ordered an investigation to determine whether Alleghany, Young and Allan P. Kirby, Young's associate, acquired control of the three roads in violation of Section 5 of the Interstate Commerce Act. Hearing on this was scheduled for last week but was postponed until June 26 when the application also will be heard.

* * *

Paul M. Eliot of Mansfield, was moved up from vice president to president of the Ohio Bankers Association at the group's 54th annual meeting in Columbus last week. Rodney P. Lien of the Cleveland Trust was reelected treasurer and Howard C. Hudson of Wilmington was named vice president. Eliot succeeded Emerson L. Boyd of Warren.

* * *

National City Bank of Cleve-

(Continued on page 2151)

William Schradin Now With Merrill Lynch

(Special to The Financial Chronicle)

CINCINNATI, OHIO—William Schradin has become associated with Merrill Lynch, Pierce, Fenner & Beane, 330 Walnut Street. Mr. Schradin in the past was manager of the municipal bond department for Westheimer & Co., and prior thereto was an officer of Field, Richards & Shepard, Inc.

Ohio Municipal Comment

By J. A. WHITE

In a small country town in mid-western Ohio, the cashier of a small national bank related a most interesting story last week of how his national bank examiner had told him to sell all his bonds that were not rated "A" or better. Now, as is typical of the great majority of banks in Ohio, this bank owns only municipal and U. S. Government bonds. Thus, the examiner had told the bank to sell any municipal bonds that were not rated "A" or better.

Three aspects of this story are worthy of mention.

In the first place, one must admire the courage of the examiner. He called the president and cashier of the bank into a conference to give them his verdict on their bond account and graciously told them that he had enough confidence in these men that if they promised they would correct their "deficiencies" in the portfolio, he could accept such assurances. He went further to tell them that if they preferred not to do as he said, they could carry the matter up to higher authorities.

To our knowledge, there is absolutely no legal basis for any such order to sell municipal bonds not rated "A" or better — and probably the examiner realized he had no legal authority to take such a stand. Yet, if it were his intention to improve the quality of the investments held by the banks he examines, then one should admire him for his intention and his courage.

In the second place, the examiner most certainly erred in his method of distinguishing between high grade and second grade bonds. The obvious assumption that a bond rated "A" is a high grade credit, and a bond not rated "A" or better, is a second grade risk, overlooks the fact that many bonds may be rated "A," which should not be in a bank's portfolio, and conversely, there are many high grade bonds which have not been "favored" with such a rating. To illustrate that ratings are inadequate to determine quality, it is sufficient simply to realize that small communities and school districts frequently are not "rated" by anyone, although these small subdivisions may be a better credit risk than most large cities. One organization that rates municipal bonds does not rate cities and school districts of less than 10,000 population, while another organization does not rate a subdivision that has less than $200,000 of debt.

In the third place, and most important, this examiner must be given considerable credit for his desire to have his banks dispose of second grade bonds. While his conception of what constitutes a second grade risk may be incorrect, and while he may not have had legal authority for his action, nevertheless, if such was his desire, his intention was good. He deserves support—not blind support, but cooperation that will assist him properly to determine what is a second grade bond, and cooperation that will assist him in his determination to have his banks improve the quality of their portfolios.

For months we have been urging the sale of second grade bonds and the purchase of high quality, for many reasons which need not be repeated here. But it seems worthy of notice that probably others are making the same recommendation in recent months. If the stand taken by the above bank examiner be an example of what national bank examiners as a whole are doing, then a great impetus will be given to this movement, and, if properly directed it should be a great favor to the banks.

While we have heard no such definite report of action by a state bank examiner, it would appear that the state banking department in Ohio is also giving more attention to the quality of the bonds in the portfolios of state banks, with more attention being paid to municipal bonds. A move to grant legal authority to bank examiners to require the sale of municipal bonds held by banks, or to prevent the purchase by banks of municipal bonds, based upon ratings applied to such bonds, would be fraught with insufficiencies, and would be decidedly inadvisable.

However, a movement by both the national and state supervisory agencies, as well as by the Federal Reserve System and the Federal Deposit Insurance Corporation to encourage the bankers themselves to divest themselves of second grade bonds, and improve the quality of their portfolios, could, if properly directed at bonds of poor quality, be of considerable benefit to the banks.

More and more banks appear to be taking such action, either voluntarily, or because of outside suggestions. It would seem that the time is ripe, therefore, for the movement to be given support.

In justification of such a move, suffice it to say here again, that for many reasons, second grade bonds are today selling for prices very nearly the same as those at which high grade bonds are selling. In the Ohio Municipal Price Index, reported elsewhere

(Continued on page 2152)

Ohio Municipal Price Index

Date—	*	†	‡	§
May 17, 1944	1.31%	1.46%	1.16%	.30%
May 10	1.31	1.46	1.16	.30
May 3	1.32	1.47	1.17	.30
Apr. 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Nov. 17	1.39	1.57	1.22	.35
Oct. 13	1.39	1.58	1.21	.37
Sep. 15	1.43	1.62	1.24	.38
Aug. 18	1.44	1.63	1.25	.38
July 15	1.50	1.63	1.32	.36
Mar. 16	1.76	1.97	1.55	.42
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

Foregoing compiled by J. A. White, Cincinnati.

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 high grade bonds. §Spread between high grade and lower grade bonds.

OHIO
SECURITIES
FIELD, RICHARDS & Co.
Union Com. Bldg. CLEVELAND Tele. CV 174
Union Cent. Bldg. CINCINNATI Tele. CI 150

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OF CLEVELAND
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Merrill, Turben & Co.
Investment Securities
Union Commerce Building CLEVELAND 14, OHIO
Telephone Main 6800 Teletype CV 67

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Terminal Tower Company
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Cleveland Terminal Building Co.
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Land Trust Certificates
WM. J. MERICKA & CO.
INCORPORATED
Union Commerce Building
CLEVELAND 14
Members Cleveland Stock Exchange
Teletype CV 594
29 BROADWAY NEW YORK 6

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Municipals
For Our Own Account
J. A. White & Co.
Union Central Building
Cincinnati 2, Ohio
Teletype CI 163
Telephone Parkway 7340

No representation is made by the underwriters that the interest on the Bonds is or will be exempt from Federal Income Taxes.

New Issue May 24, 1944

$56,000,000

California Toll Bridge Authority

San Francisco-Oakland Bay Toll Bridge Revenue Bonds

(Refunding Issue)

Dated June 1, 1944 Due September 1 and March 1, as shown below:

All of the Bonds, or all of the Sinking Fund Bonds, are redeemable as a whole by the Authority on any date on or after March 1, 1950, and prior to maturity; the Serial Bonds are redeemable prior to maturity in part by the Authority on or after March 1, 1950 (but not prior to said date) in inverse order of maturities but only after or simultaneously with the retirement of all of the Sinking Fund Bonds; the Sinking Fund Bonds are redeemable in part by the Authority on or after September 1, 1945, in each case by lot on any interest payment date, but only out of funds available therefor under the Resolution; all on published notice of not less than 30 nor more than 60 days and at the following prices plus accrued interest: prior to March 1, 1947, 103½%; on or after that date and prior to March 1, 1949, 103%; on or after that date and prior to March 1, 1951, 102½%; on or after that date and prior to March 1, 1954, 102%; on or after that date and prior to March 1, 1957, 101½%; on and after that date and prior to March 1, 1960, 101%; on and after that date and prior to September 1, 1962, 100½%.

$20,000,000 1¾% Sinking Fund Bonds due September 1, 1962

Price To Yield 1.90%

(and accrued interest)

$36,000,000 Serial Bonds

Amount	Rate	Due	Yield to Maturity	Amount	Rate	Due	Yield to Maturity	Amount	Rate	Due	Yield to Maturity
$1,030,000	3¾%	9-1-45	.60%	$1,180,000	2%	9-1-50	1.20%	$1,315,000	2%	3-1-55	1.80%
1,045,000	3¾	3-1-46	.70	1,195,000	2	3-1-51	1.30	1,330,000	2	9-1-55	1.85
1,060,000	3¾	9-1-46	.80	1,210,000	2	9-1-51	1.40	1,345,000	2	3-1-56	1.85
1,075,000	3¾	3-1-47	.90	1,225,000	2	3-1-52	1.50	1,365,000	2	9-1-56	1.90
1,090,000	3¾	9-1-47	1.00	1,240,000	2	9-1-52	1.55	1,380,000	2	3-1-57	1.90
1,105,000	3¾	3-1-48	1.05	1,255,000	2	3-1-53	1.60	1,395,000	2	9-1-57	1.90
1,120,000	3¾	9-1-48	1.10	1,270,000	2	9-1-53	1.65	1,410,000	2	3-1-58	1.95
1,135,000	3¾	3-1-49	1.15	1,285,000	2	3-1-54	1.70	1,425,000	2	9-1-58	1.95
1,150,000	3¾	9-1-49	1.20	1,300,000	2	9-1-54	1.75	1,440,000	2	3-1-59	1.95
1,165,000	3¾	3-1-50	1.25					1,460,000	2	9-1-59	1.95

(and accrued interest)

These Bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. Orrick, Dahlquist, Neff, Brown & Herrington, of San Francisco and Messrs. Hawkins, Delafield & Longfellow, New York, Bond Counsel to the Authority. It is expected that delivery in the form of Temporary Bonds of the Authority will be made on or about June 21, 1944.

Copies of the Prospectus which should be read prior to any purchase of these Bonds may be obtained only from such of the undersigned as are registered dealers in this State:

Harriman Ripley & Co. Incorporated **Mellon Securities Corporation** **Blyth & Co., Inc.** **Lehman Brothers**

The First Boston Corporation **Smith, Barney & Co.** **Drexel & Co.** **C. J. Devine & Co.** **Dean Witter & Co.**

Lazard Frères & Co. **Blair & Co., Inc.** **R. H. Moulton & Company** Incorporated **Paul H. Davis & Co.** **Ladenburg, Thalmann & Co.**

Lee Higginson Corporation **Stranahan, Harris & Company** Incorporated **Bear, Stearns & Co.** **Kaiser & Co.** **Coffin & Burr** Incorporated

Bankamerica Company **Equitable Securities Corporation** **Weeden & Co.** Incorporated **Paine, Webber, Jackson & Curtis**

White, Weld & Co. **Alex. Brown & Sons** **Heller, Bruce & Co.** **Graham, Parsons & Co.** **L. F. Rothschild & Co.**

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Canadian Securities

By BRUCE WILLIAMS

The Premier and Treasurer of the Province of Manitoba, Mr. Stuart S. Garson, after having placed the affairs of his own province on the soundest possible basis now turns his constructive eye to the broader national field, and in his recent budget speech emphasizes the necessity of the overhaul of Dominion-provincial relations, especially in view of Canada's ambitious post-war program. As Mr. Garson points out, the Dominion has a ready-made plan, that after a long period of study was finally recommended for adoption by the Rowell-Sirois Royal Commission which commenced its intensive studies in 1936.

Without delving too deeply into the manifold details, the broad result of the adoption of the main recommendations of the report would be a revolutionary improvement in the financial structure of the western provinces, which had to bear the brunt of the depression of the early '30s, and are still struggling under the past burden with varying success.

Not only would all provincial debt be assumed by the Dominion, but the provinces would also be relieved of the whole burden of unemployment relief. An immediate benefit for the western provinces would presumably be the cancellation of the Treasury bills held by the Dominion in connection with past provincial outlay for relief purposes.

In spite of the fact that the western provinces have carried for several years the whole weight of what should have been considered a national obligation, most of these provinces have nevertheless made striking headway in the past few years.

British Columbia, backed by a wealth of varied natural resources and by capable financial management, has placed its credits on a basis which vies with that of the leading eastern provinces. Manitoba's financial record in recent years is second to none in the Dominion, and by planned diversification of its economy has done everything possible to obviate future crises. Saskatchewan, with the help of the central treasury has succeeded in keeping its finances on an orthodox basis, and, although placing an undue reliance on its production of grain, has profited thereby to a considerable extent in the past few years, and, moreover, efforts are now being made to develop its promising mineral resources.

Alberta, the problem child of the Dominion, fell victim in the weak period of the general depression to the alluring possibilities of a specious monetary experiment, which, although never fully carried out, nevertheless did lead to grievous error and provincial debt default. Inevitably, with the return of prosperity and with the growing realization that the tremendous resources of the province can never be fully exploited until its credit is restored, great efforts are now being made both within Alberta and without to find a solution that will be satisfactory to the province and the holders of its obligations.

The leading advocate of immediate debt reorganization, the Provincial Treasurer, Mr. Solon E. Low, is now the national head of the Social Credit Party. In a recent announcement he contradicted the report that "he had been kicked upstairs" and stated that he would retain his Provincial Treasury portfolio and thus continue to work for a debt settlement that, as mentioned in his last two budget speeches, must make provision for higher interest rates than those now being tendered, take into consideration the arrears of interest, and agree to some adjustment with regard to varying coupon rates. Consequently the settlement of this long-standing problem is now definitely in sight.

As a general conclusion, it now appears that the term "prairie" and "western" province or city will soon cease to be used disparagingly, and investors will increasingly appreciate the greater scope for profit afforded in the western section of the markets as compared with the established eastern situations.

During the past week the market generally maintained its firm tone and there was a decided increase in turnover. The new Edmonton issue was well received and it is likely that before long investment demand will concentrate on the profitable opportunities offered in western Canada. Montreal issues were in renewed demand as it now appears certain that the debt reorganization plan will meet with no opposition. The internal issues were again a strong feature and, as anticipated, the Canadian dollar in the "free" market reached the official selling level at 9⅛% discount.

With regard to future prospects, the successful termination of the Sixth Victory Loan (which resulted in a total subscription of approximately $1,400,000,000 and a record number of individual subscribers of over 2,500,000) should lead to period of greater market activity and the maintenance of the present firm undertone.

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CANADIAN SECURITIES
Government · Provincial · Municipal · Corporate

Virgil Jordan Defends America's Business Record

(Continued from page 2139)

ital investment, management-labor relations, markets, education and the rest—as today in our round-table sessions we have considered some of the special problems of re-employment, local and technical.

If, after all this discussion, you were to ask what we know about the opportunities and problems of post-war employment that we did not know 25 years ago, or a year ago, it would be hard to say. One feels rather that in the interval we have learned a lot of things that are not true, and forgotten or lost something that we once knew. Everyone senses that there is something new, different, more formidable, menacing and strange in the question today. Never before have we been so self-conscious about post-war employment, or put so much emphasis on the problem. Our anxiety about it might almost be classed as a form of home-front war-neurosis, or civilian shell-shock, specially characteristic of this war.

Why this is so is an interesting and important question in itself, which I shall not pursue tonight, beyond repeating what I have said in past meetings, that this total war employs so much more of the population than ever before, and consumes so much more of its output, that to find its peace-time economic equivalent as an employer and consumer is a much larger problem than ever before, though not necessarily a different one. The magnitude of the problem merely makes war much easier and politically more attractive than peace so long as governments put a premium on employment or income or consumption for their own sake, assume responsibility for these things, and make political capital of them to maintain power. War today is a public works program turned upside down. That is why someone has said that war has become the main instrument of domestic policy, and by a stronge paradox men pursue social or economic security by dropping high explosives on each other.

In a few minutes I shall introduce three speakers who will talk to us, each in his own way, about this post-war riddle which preoccupies us so painfully these days, as we anticipate peace or the subsidence of hostilities. I hope they will tell us what we might do instead that will employ our labor and machines and use up our materials as fully as this war has done. That is what we need to know, unless we are going to maintain war more or less permanently as our major industry. William James, the American philosopher, racked his brains back in the 90's to suggest what he called "a moral equivalent of war"—some peacetime mass activity that would be as inspiring, stimulating or merely as amusing as the martial life—and he came out only with a sort of mid-victorian version of the WPA. Today we are less worried about the emotional than about the economic equivalent of war, but so far we do not seem to have been able to get much farther with our ideas than William did, despite the enormous and entertaining new industries that have developed since his time. The distracted statesmen of every nation in the past quarter century have visited the Soviet Sphinx abroad and consulted the academic oracles at home. One after another the mummies of every ancient economic formula for full employment have been exhumed and exhibited to the masses in modern semantic wrappings, but the statesmen, and businessmen, too, still circle swiftly in their statistical squirrel cages in search of the right answer to the riddle, hoping to discover the Secret of the Pyramids—at least the political secret of permanent prosperity and complete employment apart from war and its peacetime counterpart of fake-work with fake money. One begins to wonder whether, in this ceaseless but so far unsuccessful search for the right answer we may not have been asking the wrong questions.

I do not assume to say so. I only submit, in these few comments by way of setting for our discussion tonight, that we had better begin by making quite clear to ourselves what the questions are, and making quite sure that they are what we in America and the millions of sons and brothers of ours for whom we are offering our answers, want to know. In the hundred or more times I have discussed these matters in these meetings, in the dismal and humiliating decade just ended, I have sometimes sought to amuse you and sometimes to move you, but now I shall tell you as simply as I can what is in my mind about them, for this crucial moment is an occasion more for candor than for eloquence or entertainment.

These ten millions stand tonight on the edge of an inferno of infinite force, facing or suffering torture of flesh and spirit which we can only dimly imagine and which will pursue many of them down the nights and down the days to the end of their lives. They have asked no questions. They know only that in one way or another their lives have been torn up by the roots from the American soil to save themselves and the rest of us from the danger of being driven to work and live for masters we do not choose to serve. Beyond that they do not ask why they are there, removed from the busy scene, outside the stream of life which flows on much as before, with others taking their places on the stage. They do not perceive the tragic paradox that in truth, despite everything, it is these martial masters who command their life and labor today, and, in the end, it was Hitler and Hirohito who put them to work, because no less in America than in England, Russia, Italy, Germany and Japan, there was no other work to do, and no other way to live.

We are framing for them the questions of the future which are rooted in this paradox, and the answers, too, to comfort or encourage them in their trial and ourselves in our fear, against the time when they will return to the stage to take up the parts where they left off. But we are not telling them the truth, which we owe them and which would be the greatest gift our gratitude could give them, because we do not know it ourselves or will not face it. Somewhere along the road that led to this disaster during the decade of delusion and confusion and demoralization just ended we have lost or surrendered that unique and almost instinctive faith which heretofore, in every crisis or difficulty, had framed the questions and the answers for us infallibly. And having lost it we forgot what till that time every American had always known, unconsciously and surely, from the beginning, which is that government at home or elsewhere in the world is ultimately the only enemy of peace or plenty he has to fear, because it has always been the greatest common multiple of the limitless greed for power among men and groups. This war should have reminded us of that, both in business and labor, but so far it has not, and so we face the future and frame our questions and answers for it confused and frustrated as we never were before, believing no longer in ourselves, but in the providence, omnipotence and omniscience of the unlimited State.

The greatest difficulty that faces us is that business itself, along with labor, has lost, or no longer has, any clear coherent conception, conviction or philosophy of its function. During the past decade it has suffered a deep wound to its integrity of spirit, a profound sense of inferiority or guilt, from which it has not been able to recover even despite its spectacular accomplishment in this war, and the great problem of the future for it is to rebuild its self-respect and purpose which were dissipated and demoralized by the humiliations of the Great Depression and the persecution of the past decade. American business is drifting toward the difficult problems of the post-war future without any clear, definite and consistent philosophy of thought or action based upon any candid recognition of the facts about the economic or political consequences of the war, or upon any perspective of past experience, or even any principle other than that of momentary expediency. The confusion and conflict of attitudes toward the crucial issues of post-war continuance of wartime government market controls which crop up daily is disturbing evidence of the demoralization and intellectual devastation wrought in the business community during the past decade. To any disinterested observer of the ideas and behavior of business in face of these fundamental issues of the future it must be evident that its capacity to think or act about them with candor, intelligence and integrity has been seriously damaged by ten years of exposure or surrender to the political word-changers, the academic cake-eaters and public-opinion poll-catchers of our time. Today, in every fundamental matter that affects the future of American life it mistakes a synthetic statistic like a national income estimate for a moral standard or a philosophical truth, and it has no ideas of its own till it has consulted the totem-pole and computed the lowest common denominator of the passing opinion of a random sample of indifferent people on devious questions they know nothing about.

One after another it hopefully follows the ceaseless procession of spouting stooges of Statism who have promised some solution of these problems by easy compromise or expert plan. Its supreme conception of policy has been one of appeasement toward organized labor and organized bureaucracy, and today it is beginning to seek escape from its political pessimism and economic despair in a sort of apocalyptic belief in the millennium based on the childish dream that America is a kind of patent cornucopia of automatic plenty or a bottomless well of unlimited wealth; that the war won't really cost anybody anything, and we can start where we left off after it is over as though it never happened. Sometimes it imagines that exhibitions of public self-flagellation and conspicuous displays of synthetic hair shirts, are a sufficient substitute for a rational and self-respecting business or labor philosophy. It still seems to believe that salvation is to be found in spectacular performances of mezzo-soprano hog-calling by professional propagandists and organization promoters, or by offering itself as the sacrificial scape-goat for past economic sins or errors which were obviously universal. Even the business press has nothing to offer as a philosophy for the future except "more government and more gadgets," a warmed-over hash of Hansen's and Keynes' stale and sterile ideas about public spending, and doses of "whether you like it or not" fatalism about permanent public control, collective bargaining and the like, as though tyranny were more inevitable than poverty, or preferable to it.

We must not imagine that organized labor has escaped this process by which expanding government power demoralizes, dissipates and destroys the self-respect and integrity of groups of free citizens in the community. For its part it has been endowed or drugged by the State with a false sense of power which has its roots and nourishment in the same guilt-complex and sense of inferiority which has so profoundly crippled business, and which we may be sure will bring its own bitter disappointment, disillusionment and frustration to organized labor as time marches on.

But I am not attempting tonight to psycho-analyze the confusion, frustration and futility of either business or labor as they face the problems of post-war employment. It seems to me that before either or both can frame the questions and the answers of the future with truth and frankness for the men in the inferno of the far-flung battle line there are some fundamental facts we must face or flasehoods we must fight in ourselves if we are to keep faith with them. We may delude ourselves in these matters for a time, as we have been doing, but let us no longer lie to the men in hell about them. I shall mention a few of these fatal falsehoods briefly and bluntly before I introduce our speakers, and leave them with you till we meet again.

Let us not tell these sons and brothers of ours that we, or labor, or government, are going to guarantee them economic security in any sense and still leave them their civil liberty and personal freedom, if they still want it. It is not true. The governments they are fighting have demonstrated in the past decade, and the whole record of human experience proves that it is a lie. Let us tell them rather that nobody can pledge them full employment as workers or permanent purchasing power as consumers without depriving them one by one of every individual freedom they have. Let us tell them frankly that no one can fix a national income figure for a people or enforce a statistical standard for employment or payrolls or consumption and still leave everything, or anything, about the life, labor or thought of everybody or anybody as it was before. Let us tell them instead that nobody, business or government, can plan tomorrow's employment for anyone without planning his occupation, spending, saving and consumption for him. Let us not conceal from them the rigorous iron chain of cause and effect which has always bound together and still links compulsory security, compulsory saving, compulsory labor, compulsory consumption, compulsory occupation, location, leisure, speech and finally thought. No one yet has broken this chain wherever it has been forged by the hammer of political ambition on the anvil of mass ignorance, indolence and fear, and never will except by force of violent revolution to which it inevitably leads. Let us not pretend to them that, for the first time in human history, something has happened in America while they were gone that makes the words "national planning" mean anything different in the end from personal compulsion. Let us rather tell them the bitter truth that the quarrels and conflicts we have been having here at home about economic rights and privileges are a tragic illusion, and that the ultimate question beneath them all is not whether somebody's plant can be seized for any reason, but whether any business man or labor leader, or anybody whatsoever, can be shot in the back of the head for no reason at all. They may understand that, because, before they emerge from the inferno where they are suffering and crushing the irreversible force they are fighting, they may have seen with their own eyes, and without looking under the bed, the ultimate implications of unlimited government power to do good to others, at home or abroad, in terms of concentration camps, corpse-filled trenches and ruined cities.

Let us tell them these things truly, even though they may not care anything about them. Like Mr. Vargas, who explained it all to his people in Brazil the other day, when he promised that he might allow them to vote for him, if they wanted to, after the war is over, or like many of our own business men who have abandoned the flesh and the devils and the dangers of the world of freedom and bedded down in the bureaucratic lamaseries in Washington, these boys may come back believing that civil liberty is less important, or less problematic in the future than a full belly. Let them choose, but let us not, as economists, business men or labor leaders, lie to them by making them believe that we or government can give them both.

Above all, let us not tell them, that because business or government did not and could not give them both freedom and full employment, either in the Thirties or at any time before in the past century and a half, business betrayed them or the American idea has failed. They are being told this day by day, as we have been during the past decade, not only by the word-changing wizards in Washington but by business men and labor leaders, and it is a falsehood more cruel than any wound of flesh or faith this war will inflict upon them. The self-betrayal that lies beneath any such confession of sin or repudiation of the past on the part of business or labor leaders, is a brutal breach of trust to the millions of sons and brothers who are defending us, for it destroys their faith in America and abandons them to the darkness and despair of dependence on the State which is the spirit of that hopeless purgatory of Europe and Asia where they are.

Let us not confirm to them by our confusion and fear the falsehood that business in the Twenties, or at any other time, was a thing apart from everyone else in America, a collective group of people with complete power and sole responsibility to make prosperity or depression for everyone else, which they were too wicked, selfish or stupid to use with the wisdom, benevolence and purity which has since been permanently established in public office. Though most of these boys may have been too young to remember it, they and their parents were as much a part of business as everybody is today, and as they will be once more, sharing its sins, its virtues, its failures and its achievements with everyone in America. The errors or crimes, the ignorance or greed, the indolence or injustice, which may have brought down the great depression of the Thirties, or any of the past, were the common weaknesses of all, to which none in the community were immune, in America or elsewhere in the world. Those who were above them, or who knew better, may be blamed for silence or for impotence; but the record then, as always before, shows that no group among us and no government had a monopoly of guilt or of innocence, of folly or wisdom in this economic calamity or any others we have endured. To pretend otherwise is worse than falsehood. It is treason to the spirit and faith of American life. It is a shameful incitement to class strife in the American community, and business leaders, above all, should be humiliated that any among them should lend themselves to it, for whatever purpose of passing popularity or power.

It does not matter to me what others may do or say about these things henceforth, but when some smooth-tongued wizard from Washington or elsewhere puts to me the typical twisted question with which the patriotism and pride of the American people has been slowly poisoned during the past decade, and asks whether I want to bring back the days of Harding and Coolidge and Hoover, of Teapot Dome, and Ed Doheny and Albert Fall, and Insull or Musica or Whitney or what not, I shall look him straight in the eye without shame or fear and say: "Yes." And if anyone asks me why, I answer him in the moving words which a Russian immigrant of many years ago, Simeon Strunsky, set down unnoticed sometime since in his column in **The Times:**

"It is not true that the only kind of America worth defending is the 'better' America which we expect to build after the victory has been won. This war is justified if fought only for the deefnse of America as it is in 1943. It would be a justifiable war for the Amer-

(Continued on page 2153)

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities.
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May 24, 1944.

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Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

This week we discuss a few miscellaneous matters pertinent to stock fire insurance companies, and of interest to investors and dealers in their shares.

Market—The general direction of fire insurance stocks has been downward since July, 1943, and appears to be a secondary reaction from the strong upward trend which started in April, 1942. As measured by Standard & Poor's index of fire insurance stocks, they moved from a low of 86.8 on April 29, 1942, to 122.5 on July 21, 1943, an appreciation of 41%. Since then they have slowly sagged to the present level of 112.7, which represents a decline of 8%. Inasmuch as this observer believes that the primary long term trend of the stock market is upward, he looks for higher prices for leading fire insurance stocks sooner or later. The previous high of the fire stock index was 124.3 in February, 1936, and the 1929 high was 249.1, to reach which the stocks would have to more than double in price.

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Bulletin on request

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Telephone: BArclay 7-3500
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L. A. Gibbs, Manager Trading Department)

Fire Losses—April losses in the United States, according to figures released by the National Board of Fire Underwriters, were $34,746,000. This figure is 11% below the losses for March and 1% above the April figure of last year. Total losses for the first four months aggregated $150,682,000, compared with $134,363,000 and $124,849,000, respectively, for the corresponding periods of 1943 and 1942. This upward "war trend" is likely to continue until high pressure war production in the industrial plants of the country moderates and hazards are reduced. In the post-war years losses should return to the normal level. Annual fire losses in the United States over the past 15 years have been as follows:

1929	$422,215,000
1930	463,613,000
1931	452,017,000
1932	442,143,000
1933	316,897,000
1934	275,652,000
1935	259,160,000
1936	293,357,000
1937	284,720,000
1938	302,050,000
1939	313,499,000
1940	306,470,000
1941	322,357,000
1942	314,849,000
1943	380,235,000

It will be observed that the year of greatest loss was 1930, with $463,613,000, and the year of least loss was 1935, with $259,160,000.

Rates—Although fire losses have been increasing since 1940, rate reductions have recently been effected in two important states, viz., Michigan and New York. Since 1933, average fire premium rates have declined from 78 cents per $100 of insurance to 60 cents, a reduction of 23%. Annual fire premium volume, however, with the 23% lower rates, was approximately $580,000,000 in 1943 compared with $450,000,000 in 1933, an expansion of $130,000,000, or 29%. Some New York State agents "view with alarm" the officially ordered reductions while others look upon them as an opportunity to sell the public more insurance. They point to the "incentive rates" initiated by many public utility companies over the past 20 years and which have invariably resulted in increased sales of electrical energy.

Federal Investigation—The South-Eastern Underwriters case is now awaiting a decision by the Supreme Court of the United States. Meanwhile, the Van Nuys-Bailey Senate Bill, which asserts that it never was the intent of Congress that the Sherman and Clayton anti-trust acts should apply to the insurance business, has been referred to the full Senate Judiciary Committee. The companion House bill has been reported out of committee but floor debates have not yet started. In a recent address before the Nebraska Association of Insurance Agents, Mr. Manning W. Heard, Vice-President, Hartford Accident & Indemnity Co., made the following remarks: "And now I should like to refer to the South-Eastern Underwriters case pending in the Supreme Court of the United States. I cannot help but feel that the court, even though it disagrees with the doctrine of Paul vs. Virginia, will recognize the force of precedent and maintain the status quo so far as the application of the anti-trust acts are concerned. Of course, no one can prophesy the court's decision, but I think, and I hope I am correct, it will conclude that public interest dictates that the regulation of insurance should remain with the states unless Congress itself should deem otherwise. But even if I am wrong and the court should strike down precedent, both agents and companies have an obligation to themselves and to the public. We should adapt ourselves to the new conditions in a manner that will justify the continued confidence of our millions of policyholders. We have a great business, we have earned an important place in the life of our country and we do a real service."

Utility Interesting

Delaware Power & Light Common shares offer an interesting situation according to a circular issued by Newburger & Hano, 1419 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this circular may be had upon request from Newburger & Hano.

Can We Spend Ourselves Rich?

(Continued from page 2138)

The pinch-hitter was Marriner Eccles. A snowdrift in Ogden, Utah, changed the course of American history!

Well, perhaps. And again, perhaps not.

An analysis of Administration policy preceding Eccles' visit suggests that recourse to spending would have occurred, anyway.

Roosevelt began his administration with two sound steps: (1) establishing confidence in the banking system by allowing only solvent banks to reopen after the bank holiday; (2) fulfilling his campaign pledge to cut the expenses of the federal government by 25%.

But then without waiting for the normal operations of the economic cycle, which presumably would have brought back prosperity, the President began doping the patient with a series of quack remedies.

First, devaluation of the dollar.

Second, Triple A—killing little pigs, paying farmers not to produce. (Designed, no doubt, for the benefit of one-third of the population that was undernourished.)

Third, NRA—industries being allowed to get together to raise prices and restrict production. Many codes prohibited a second shift. The textile code prohibited installation of new machinery except by permission of the code authority. The petroleum code lacked a price-fixing clause; the President added it in his own handwriting. I own a newspaper and printing firm; our code required us to raise many commercial printing prices 100%. Wages, up 10%; prices, as much as 100%. Ostensibly done to raise the purchasing power of the masses!

The First "Compensation"

Some form of "compensatory spending" had to be devised. If the idea hadn't come from Marriner Eccles, it would have come from someone else.

When large scale government spending—initialed CWA—was started in January, 1943, no important official thought of it as anything else than a stopgap—pump-priming. The President, in fact, kept promising every year up to 1938, that he would "soon balance the budget."

But since 1936, a new school of economics had been born, a school that believes in government spending as a permanent policy. Their program calls for a Compensatory Economy. "Fortune Magazine" is the more respectable of its advocates; Stuart Chase, Alvin Hansen, and Dr. Abba Lerner are its leading spokesmen.

In a Compensatory Economy, the federal government will guarantee to maintain the national income at an agreed-upon figure—let us say, at 160 billions. When the national income falls below that figure, the government will spend enough to bring it back up; when the national income goes above, unless accompanied by additional productive capacity, the government will increase taxes, reduce spending, and resort to other deflationary devices.

Stuart Chase argues: If we lived under perfect competition, unemployment and depression could not occur. But competition has disappeared in 50% of our economy and exists only where business men have been unable to abolish it.

In other words, if the painters' union limits the size of the paint brush and outlaws the spray gun, if a union electrician must be employed every time an electric plug has to be inserted, if a standby orchestra must be hired alongside of every juke box, don't worry; government spending will "compensate."

If cartels are formed to hijack the consumer, government spending will make up his losses.

Some extremists on the Left have no objections to accelerating the movement toward monopoly. Their attitude is expressed by a remark attributed to Rex Tugwell:

"Let monopoly have its head. After Big Business has destroyed little business, we can arouse hatred against Big Business. Then it will be a simple matter for the government to step in and take over."

The import of that remark—that private enterprise will not long endure under monopoly—explains why the heads of the National Association of Manufacturers and the U. S. Chamber of Commerce have been preaching to their members the vital importance of maintaining a competitive system.

The fight against greed—in the form of monopolistic practices—is as old as the fight against sin. The Ten Commandments have never been fully observed and perhaps never will be. But when we give up the Golden Rule as the ideal of human conduct, the human race is done. When we give up the fight for the competitive principle, we have invited totalitarianism into our home.

Seven questions will bring out the functioning of a compensatory economy:

QUESTION 1: **If the government is to keep the national income at a precise level, what mechanism will have to be employed?**

Alvin H. Hansen, Harvard professor, answers: "Congress should establish a Monetary and Fiscal Authority. . . . The Executive, acting under the advice of the Monetary and Fiscal Authority, should be empowered to increase or curtail . . . public improvement expenditures . . . He should, moreover . . . be empowered . . . to determine the imposition and withdrawal of taxes. . . . Admittedly, Congress may be reluctant to delegate power to the Executive on so vital a matter as the timing of the application of tax rates and expenditures. But if we are to make the economy workable under modern conditions, it will be necessary to engage in bold social engineering." (Fiscal Policy and Business Cycles, page 448.)

While Congress would be allowed to establish broad loose limits, the general effect is to take away "the power of the purse." Congress cannot be trusted to act according to Hansen's fiscal principles — instead, would logroll. Furthermore, Congress can not act quickly enough. By the time it has completed the deliberative process, a mild depression might become violent; steps it was debating may be outmoded. The executive—advised by his experts—must be given virtually full authority.

QUESTION 2. **HOW will the money be spent?**

(a) Upon public works, federally controlled; after completion, locally operated.

The National Resources Planning Board, to which Dr. Hansen was economic advisor, says: To provide outlets for government spending, the building of public works should be centered in the Federal Government. A county should not be able to build a bridge except in according with the Federal plan; too many bridges might be built at the wrong time.

To "persuade" local communities to accept centralized control, the Federal Government would pay all costs and after completion, turn over "operation" to the communities.

Distribution of purchasing power may be inadequate if limited to public works. Housing, especially slum clearance, offers infinite possibilities. But sometimes money must be passed out with greater promptness than is possible for long-term construction.

(b) National dividends, therefore, have been proposed by some spenders as a more flexible method—let us say, $100 to every head of family, $50 to every child—whatever precise amount will bring national income back to par.

QUESTION 3: **WHEN will the spending be turned ON?**

When the national income falls below, say, 160 billions. Each 5 billions decline calls for a predetermined distribution of Federal money.

Others—including Chase—would pour out the money primarily as employment falls.

Chase tentatively fixes 3,500.000 unemployed as the danger line. That number may be unemployed during good times—moving from

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one part of the country to another, looking for better jobs, on strike, etc.

When unemployment drops to 4,500,000, perhaps 5 billions in purchasing power will be distributed; at 5,000,000, perhaps 10 billions; at 7,000,000, perhaps 30 billions.

(Spenders sharply criticize the 3 billion dollar deficits of the first two Roosevelt administrations as grossly inadequate; deficits should have been 15, 20, or 30 billions; if circumstances require, there should be no hesitation about incurring deficits of war time proportions like 75 billions.)

QUESTION 4: **WHEN is the money to be turned OFF?**

As the national income and employment rises, the reverse process begins; spending is to be reduced by pre-determined amounts.

QUESTION 5: **WHERE is the money to be turned OFF?**

(This answer applies to the public works method proposed by the National Resources Planning Board.)

Employment has risen, let us say, by a million, but there are still 5 million unemployed. Public works then are not terminated, but merely cut back. What new projects, upon which communities have built high hopes, will be rejected? What communities shall be "discriminated against"—and why, they will bitterly ask?

Centralized power has not only economic, but political "possibilities." An executive with these powers can intimidate as well as bribe. Competition for the favor of the Administration will be feverish. If the executive can keep the Congressional districts back home in fear of the withdrawal of public funds, few Congressmen will be able to hold out against him. (A few well-timed promises of bridges for Florida helped Senator Pepper win the recent primary.)

Boards, of course, will be "independent." But need we look beyond the present boards in Washington, filled with ideological enthusiasts looking to the President as their leader to recognize the instinct to use all power within grasp to aid the "cause"? Experts—men like Leon Henderson, Rex Tugwell, Felix Frankfurter, Tommy Corcoran—sincerely believe their first duty must be to keep the opposing party out of office; depression will automatically follow "the return to reactionary economic methods."

Likewise, if a Republican Administration gained these powers, would not its appointees with equal zeal use every "legitimate" means to prevent "the party of left wing totalitarianism" from ever getting back into the White House?

How long can individual freedom stand up against political use of such weapons to influence voters? Democracy thrives only when individuals and communities can make a living in opposition to the existing regime.

QUESTION 6: **WHY should spending be turned OFF?**

(This answer applies to the Cash Dividend Method.)

The Monetary and Fiscal Authority decides that spending should be reduced. But if dividends of $50 or $100 per person have been passed out, recipients are not going to stand idly by and see them cut off. Having tasted "dividends," they want more and bigger ones!

Pressure blocs rush in to claim that "the statistics of the Monetary and Fiscal Authority are false." If true, they are unsound; the country has plenty of expansive capacity! Build more capacity if it does not exist! The national income should not remain static, but should be raised. The party out of power, having nothing to lose, takes up the cry. Cash dividends **stimulate** the economy; don't cut them off; DOUBLE THEM—and make them **permanent!**

Not long ago, Vice-President Wallace wrote a speech setting 130 billions as the right national income after the war. Copies of his speech were released to the press. Between the distribution of the speech and its delivery, he saw a new light. He upped the desirable income to 200 billion. All in 4-5 hours! Why allow pikers and defeatists to hold down our standard of living?

How difficult it is to end public favors may be seen in the New York foreclosure moratorium. During the Great Depression, home foreclosures were temporarily forbidden. Each year now—for 14 years—the moratorium has been temporarily extended. As far as this privilege is concerned, the Great Depression continues to scrape bottom.

QUESTION 7: **Where IS the money coming from?**

Chase answers: Italy was bankrupt when Mussolini went into Ethiopia. Japan could never finance a major war, said the experts. Hitler would not be able to get the money to attack rich England and France. But they all found the money. Russia, the poorest country in Europe, rebuilt her economy. Twice in our generation—during war—the U. S. has created full employment.

These facile answers by Chase imply that finding the money should not be a problem. But they still do not satisfy those who sincerely want to know the mechanics of getting the money.

Alvin H. Hansen is willing to answer the question; so is Dr. Abba Lerner—each with his own variations.

Hansen would borrow the money. "The attack on chronic unemployment (should be) by means of public expenditures financed by a continually rising public debt." . . .

"We shall come out of the war, debt-free . . . we shall have no external debt, only an internal debt. . . . An internal debt is in fact so different from what we commonly think about as debt . . . that it should scarcely be called a debt at all."

The debt being internal, the amount collected in taxes is equal to the amount paid in interest.

The National City Bank Letter replies: In the case of a private debt, there is never any doubt as to who must pay the debt. In the case of a public debt, the exceedingly knotty problem is raised: who shall pay the taxes.

The higher the national debt, the greater the cost in interest. The more bitter the struggle between conflicting blocs to shift the burden, the greater the necessity for every group to organize, to enforce iron discipline among its members. The plain fact is that a huge debt eventually can bring about a kind of civil war. Ultimate end: the corporative state and dictatorship to resolve the internal conflicts.

Lerner would unhesitatingly print the money, other means failing. (Lernerites regard Hansen as a reactionary.)

A few quotations from Abba Lerner's monograph: "Functional Finance and the Federal Debt."

"Functional Finance rejects completely the traditional doctrines of sound finance. . . . Taxing is *never* to be undertaken merely because the government needs to make money payments. . . . Taxation should be imposed only when it is desirable that the taxpayers shall have less money to spend; for example, when they would otherwise spend enough to bring about inflation. . . .

"As long as the public is willing to keep on lending to the government there is no difficulty, no matter how many zeros are added to the national debt. . . .

"If the public hoards, the Government can print the money to meet its interest and other obligations, and the only effect is that the public holds Government currency instead of Government bonds and the *Government is saved the trouble of making interest payments.* (Italics supplied.)

"The almost instinctive revulsion that we have to the idea of printing money and the tendency to identify it with inflation can be overcome. . . ."

This doctrine that governments need not resort to taxation in order to pay their expenses is presented by Dr. Lerner as a new and astounding discovery. But governments have always known it. In ancient times rulers debased the metals used for exchange. In more recent days, governments turned on the printing presses. Even when the public knew nothing of economics and inflation, the end-result of the outpouring of money was always rising and finally skyrocketing prices.

Lerner's theories completely disregard the psychological and political consequences of an "easy money" policy.

Governments are always eager to turn on the expenditures; but never willing to turn them off. If deficits are not to be feared, you can be sure there are plenty of Huey Longs who will be delighted to promise bigger and better deficits—with every man a King.

Many a program is beautiful in theory. The repetition of a noble objective — however impractical the means proposed of reaching it —will always attract day-dreaming followers. Only after certain cold-blooded questions are asked will a program reveal human failings — sometime infinitely more harmful than those of the system it is designed to supplant.

IBA Governors To Meet In Rye, N. Y., June 1-3

The regular spring meeting of the Board of Governors of the Investment Bankers Association of America will be held in Rye, N. Y., June 1, 2 and 3, or ten days before the opening of the Fifth War Loan drive, it was announced on May 23 through the Association's office at Chicago by J. Clifford Folger of Folger, Nolan & Co., Washington, President. Among other business of the meeting, Mr. Folger said, plans will be perfected for intensifying in the Fifth War Loan the "drive within a drive" which the securities dealers of the nation have conducted in connection with each of the other war bond campaigns by their professional solicitation of the larger investors. Particpating in the meeting will be Ted R. Gamble and Edward B. Hall, both assistants to the Secretary of the Treasury and, respectively, National Director and Assistant National Director of the Treasury's War Finance Division.

Jos. Walker Co. Admits

Paul J. Horne on May 15 was admitted to partnership in Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange. W. Seymour Smith retired from partnership in the firm on May 12.

Ohio Brevities

(Continued from page 2146)

land started its 100th year of business last week. The bank is the oldest in Cleveland, the largest national bank in Ohio and second largest in the Fourth Federal Reserve District. Its deposits total nearly $400,000,000 compared with $184,000,000 five years ago. Sidney B. Congdon is president.

* * *

Frank D. Beale, who has been a railroader for the past 30 years, has been made president of the Virginian Railway Co., one of the country's leading coal carriers. He succeeeds Carl Bucholz, who has retired.

Beal began his railroad career with Chesapeake & Ohio and in 1940 he became assistant vice president and assistant to the president of the C. & O., Nickel Plate and Pere Marquette. In March, 1943 he was made operating vice president of Nickel Plate.

At a meeting of Nickel Plate stockholders early in the month, Rupert T. Zickl of Bartram Corp. of New York, was elected a director, filling a vacancy.

* * *

Harold R. Le Blond, president of Le Blond Engineering Co. of Cincinnati, has been elected president and Colonel James Hammond was made chairman of the board of Cleveland Automatic Machine Co. Hammond is a former publisher of the Memphis Commercial Appeal. Le Blond became a director along with C. M. Jacobs, Cincinnati attorney, and E. G. Schultz, also of Cincinnati. Schultz was elected vice president and treasurer.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Transfer of the exchange membership of the late James C. Colgate to Chester Apy will be considered on June 1. It is understood that Mr. Apy will act as an individual floor broker.

Transfer of the Exchange membreship of William L. Strong, Jr., to Robert L. Gill will be considered on June 1. Both are partners in Mallory, Adee & Co.

Edward S. Moore, member of the Exchange, died on May 17.

Leonard A. Cohn, partner in Spencer B. Koch & Co., New York City, died on May 13.

Newport News Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks Ended March 27, 1944 and March 29, 1943

(Subject to year-end audit, charges and adjustments)

	Thirteen Weeks Ended	
	March 27, 1944	March 29, 1943
New Ship Construction	$30,001,000	$32,733,000
Ship Repairs and Conversions	1,151,000	351,000
Hydraulic Turbines and Accessories and Other Work	2,325,000	677,000
Totals	$33,477,000	$33,761,000

By Order of The Board of Directors

R. I. FLETCHER
Comptroller

May 18, 1944

This advertisement is not, and is under no circumstances to be construed as, an offering of this stock for sale or exchange, or as a solicitation of an offer to buy or exchange any of this stock, or as a solicitation of deposits under the Plan of Exchange mentioned below. Solicitation of such deposits is made only by the Prospectus.

100,000 shares

The M. A. Hanna Company

$4.25 Cumulative Preferred Stock without par value

The M. A. Hanna Company has offered to the holders of its outstanding 128,531 shares of $5 Cumulative Preferred Stock a Plan of Exchange whereby such $5 Cumulative Preferred Stock may be exchanged for new $4.25 Cumulative Preferred Stock, on the basis of 1 and 1/20 shares of new stock for each one share of present stock held, together with a cash adjustment in lieu of fractional shares, if any, of such $4.25 Cumulative Preferred Stock. Said offer will remain open until the close of business May 31, 1944, unless prior thereto the 100,000 shares of $4.25 Cumulative Preferred Stock available for exchange shall be exhausted. The Company proposes to call for redemption all unexchanged shares of $5 Cumulative Preferred Stock.

Copies of the Prospectus relating to such Plan of Exchange may be obtained from

KUHN, LOEB & CO. **HARRIMAN RIPLEY & CO.**
Incorporated

May 22, 1944

IRON-CLAD PROTECTION FOR YOUR SAVINGS

Conservative, able management, large reserves, strong underlying security, safeguard your savings here. In addition, each account is federally insured to $5,000. Current return 3%. Savings received by 10th of month earn in full from 1st of month.

STANDARD Federal Savings AND LOAN ASSOCIATION
735 South Olive Street
Los Angeles - MI-2331

Larkin Elected Pres. Of Savs. Loan Inst.

John H. Larkin, Assistant Vice-President of The Franklin Society, of New York, was elected President of the American Savings and Loan Institute, New York City Chapter No. 18, at the annual meeting recently held at the Institute offices, 41 Park Row. The American Savings and Loan Institute is a national, non-profit, educational organization serving more than 3,000 Savings and Loan Associations of the country. Subjects taught are accounting, real estate law, appraising, management, public speaking, basic savings and loan principles and kindred subjects.

Sprague Re-Elected Vice-Chairman Of NYSE

Raymond Sprague was reelected Vice-Chairman of the Board of Governors of the New York Stock Exchange at the organization meeting on May 18 of the Board, which followed the annual election on Monday, May 8. Mr. Sprague, a member of the Exchange for the past 26 years, served as a Governor from 1929 to 1938 and was reelected a member of the Board in 1942, becoming Vice-Chairman the following year.

John Q. Adams, of Chicago, and Robert V. Fleming, of Washington, D. C., were reelected members of the Board of Governors as representatives of the public on May 18. Mr. Adams, prominent in agriculture and business in the Middle West, is a director of the Continental Illinois National Bank & Trust Co. of Chicago, and Mr. Fleming is President and Chairman of the Board of the Riggs National Bank of Washington.

John Rutherfurd, it was reported to the Board, has been reelected Chairman of the Gratuity Fund and William D. Scholle, Secretary and Treasurer. Arthur F. Broderick is Chairman of the new Nominating Committee and Paul H. Klingenstein is Secretary.

The reelection of John A. Coleman as Chairman of the Board of Governors at the annual election of the Exchange on May 8, was noted in our issue of May 11, page 1942.

CITIZENS FEDERAL SAVINGS & LOAN ASS'N

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Always highest returns, based on SAFETY FIRST, paid on INVESTMENTS

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SAFETY, GOOD YIELD, and AVAILABILITY
(Assets—2½ Million Dollars)
"Just Mail Check—We Do The Rest"

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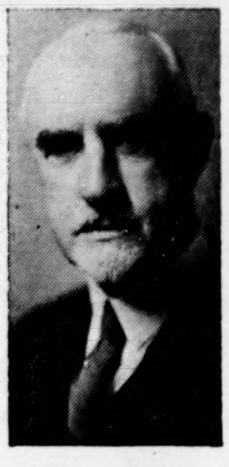
SAFETY OF YOUR INVESTMENT
INSURED
UP TO $5000

Fahey Cautions Against Making Excessive Mortgage Loans

A warning against a threatened runaway price movement in urban homes, accompanied by inflationary mortgage lending on such properties, was issued on May 20, by John H. Fahey, Commissioner of the Federal Home Loan Bank Administration. He drew a parallel between present ascending price levels and the "boom" market of the twenties, which, he said, collapsed in a tide of foreclosures.



John H. Fahey

''The development of inflationary prices for existing houses which attracted attention in some centers of war industry in 1942 has now spread to many sections of the nation," said Mr. Fahey.

"Two years ago, the effects of mass migration of workers and the shortage of housing in many cities began to be apparent. With prices on existing homes far above normal because of the stoppage of the construction of houses for all except war workers, mortgages in unjustifiable amounts are now being made in an increasing list of cities and towns throughout the country. The chief exception to the general trend is in the northeastern group of States, where only in 1942 did home values begin to recover from the extreme deflation of the thirties. Even in these States real estate prices and loans are now climbing to hazardous levels in a few communities.

"Loans based on valuations far beyond a reasonable level are being made by all classes of financial institutions, in growing numbers, in the same States where similar lending practices led the nation into the record-breaking mortgage panic which began in 1930. Just as in the twenties, States well in front in this movement include Michigan, Ohio, California, Arizona, Illinois, Indiana, Wisconsin, Oklahoma, Oregon and Washington. This unhealthy activity is also conspicuous in parts of other States.

"While sale prices indicated by revenue stamps and mortgage recordings in recent months show plainly what is happening, the records of sales of houses by owners whose mortgages had been held by the Home Owners' Loan Corporation reveal disquieting facts. During the first three months of this year, 1,293 properties owned by HOLC borrowers were sold at prices 17 per cent higher than the HOLC valuations made about ten years ago. On the average, these properties are now more than 20 years old. These new prices, of course, do not allow for depreciation or adverse changes in neighborhood conditions over the years.

"In connection with the sales of 4,097 properties on which mortgages were held by the HOLC, new loans were made by private institutions during the past eight months showing an average loan increase of $1,504 per property, or 81 per cent more than the balance owed on them when the HOLC loan was paid off.

"In some of the Pacific coast States recent sales prices represented about 134 per cent of earlier HOLC appraisals. In a number of coast cities and a few in the Southwest, sales prices ran up to 150 per cent and 200 per cent of sound values. In various sections of Ohio, the sales prices are about 122 per cent of old HOLC appraisals. In parts of Michigan, northern Illinois, some sections of Nebraska and the southwestern States, the upward movement in prices and loans is becoming more noticeable each month.

"The records of the Home Owners' Loan Corporation indicate that inflationary sales are more common in and around Detroit, Milwaukee, Cleveland, San Francisco, Los Angeles, Seattle, Phoenix, Tucson, Evansville, Fort Wayne, Gary, and Hammond. Such sales are also numerous in Omaha, Lincoln, Little Rock, Louisville, Shreveport, Kansas City, Missouri, Tulsa, Houston, Salt Lake City and Seattle.

"Unless this dangerous course is arrested, the post-war curtailment of war production may bring a wave of foreclosures and seriously interfere with the resumption of activity in the construction industry, a vital factor in peacetime adjustment."

As prudent counter-inflationary steps by financial institutions, Mr. Fahey recommended adoption of precautions recently urged by the Federal Savings and Loan Advisory Council. These include: downward adjustment of the ratio of loans to appraised values, shortening of repayment periods, accelerated repayment of principal during the first few years of the loan, calculation of loan percentages on the basis of property prices in a pre-war period during which market conditions were reasonably stabilized, and the taking of additional security, in cases where high percentage loans are made on the basis of current market prices.

Henry Abbot Now In Hentz Research Dept.

H. Hentz & Co., 60 Beaver St., New York City, members of the New York Stock Exchange and other Exchanges, announce that Henry W. Abbot has become associated with them in their Research Department.

Mr. Abbot has had 20 years' experience in the financial district and has specialized in the study of bank and insurance shares. He was in charge of this work for many years with G. M.-P. Murphy & Co. Mr. Abbot has also written many articles on financial subjects.

Gov't Housing Official Warns On Runaway Real Estate Prices

Runaway real estate prices and possible later collapse may be the result of inflated prices and excessive appraisals in the existing housing market unless a concerted effort is made now to hold the market in line, Abner H. Ferguson, Commissioner of the Federal Housing Administration, said earlier this month in an address before the Indiana Savings and Loan League at Indianapolis.

Abner H. Ferguson

While evidences of inflated prices on existing houses are already present, the situation is not yet so far out of line as to foretell inevitable collapse, Mr. Ferguson said.

"However, existing houses must be watched with particular care to avoid valuations and mortgage commitments that may be subject to deflation in the post-war period, and to avoid contributing to inflation," he declared.

Indicative of the increased danger of inflation in real estate prices immediately after the war, Mr. Ferguson said, are (1) an estimated national income for 1943 of 147 billion dollars, the highest on record; (2) more than 95 billion dollars in liquid assets in the hands of individuals; (3) an estimated home buying potential of more than 3 billion dollars that may result from present proposals to lend $1,000 to war veterans to use as a down payment on a home; (4) a tremendous pent-up demand for new housing; and (5) a limited production capacity in the building industry during the first year after war-time restrictions have been lifted, which has been estimated by the FHA at 400,000 privately financed homes costing about 2 billion dollars.

With a limited supply and an unusually large demand for housing in the first year after the war, the inflationary possibilities are very great, he said.

"Neither mortgage lenders nor builders alone can control the situation," he added. "By adopting a joint policy of resistance to excessive appraisals, high prices and high pressure salesmanship, they can perhaps have some influence in restraining the market. But most builders and lenders do not have the facilities for determining the precise point at which their own appraisals and prices reach the danger point, and no way of gauging their effect on the national economy."

The best existing means of exerting influence against spiraling home prices is the FHA appraisal system, which is based on long term values rather than short term price increases, Mr. Ferguson said.

"Through widespread use of the FHA system, the individual buyer can be made conscious of the fact that if he pays a high price for a property, he is paying a premium for immediate occupancy," he said. "At the same time, the lender is put on notice that the funds he is advancing may not be completely repaid and that he is taking a greater risk than prudence justifies."

While participation in the FHA insurance program is entirely voluntary on the part of lending institutions and builders, if the system is given proper support by all groups in the real estate and mortgage markets, it will provide machinery for exercising far-reaching influence in preserving stability in the market, Mr. Ferguson declared.

If the situation is not met by FHA and interested groups, there will be strong pressure to continue price control measures, perhaps indefinitely, he said.

"In a completely uncontrolled situation, the mortgage and real estate markets could hardly escape sinking into a depression of long duration," he said. "With over-lending and over-buying at high prices, it is hard to see any result other than an ultimate crash with wholesale foreclosures, new mortgage moratorium laws, and a new HOLC to bail out the lending institutions."

Ohio Municipal Comment

(Continued from page 2146)

in this Ohio section, the current yield on 10 high grade Ohio municipal bonds is only .30% more than the yield on 10 second grade Ohios.

Bank Earnings

At the annual meeting of the Ohio Bankers Association, held in Columbus on May 17-18, some of the most worthwhile comments heard were in informal conversations relating to bank earnings. It was refreshing to note how some of the more alert bankers were quite optimistic about profits. The comments of one, Mr. Robert White, the alert and capable president of the National City Bank of Marion, serve to illustrate how the properly managed bank can make money and yet be conservative. The value of attending any convention lies largely in exchanging such informal comments.

Six or seven years ago it was not uncommon in Ohio for a bank to have 50%, or even 60%, of its deposits in loans. Today, of course, it is uncommon to find even a country bank with loans amounting to as much as 20% of its deposits, and often the loans amount to only 5% or 6%. Moreover, the 50% figure used to be in 6% loans, while now the bank with 20% of its deposits in loans usually has such a large loan account only because it has aggressively sought loans at 4, 4½ or 5% interest.

Yet, despite this discouraging trend bankers have found that profits are growing because they have considerably more money to invest, and their capital structure is usually little more than it was several years ago. Thus declining income from loans, has been more than offset by income from much larger investments, supplemented by income from service charges and by reducing interest paid on savings deposits.

Not only are the more alert bankers giving due attention to the possibilities of keeping fully invested, but they also are giving due attention to the value of a proper distribution of such investments in taxable and tax free income. Most of the increase in income has, of course, come from taxable Government investments, and this fact is reflected, often surprisingly, in much higher income tax payments, all of which gives increasing importance to the value of maintaining a proper proportion of investments in tax free municipals.

Elected to Phila. Exch.

Ralph E. Pendergast, Vice-President and Director of Paul & Co., Inc., and Paul & Co., Inc., were elected to membership of the Philadlephia Stock Exchange.

The Securities Salesman's Corner

Five New Faces Every Week

Regular readers of this column are aware that two major considerations have always been foremost in our approach to the solution of practically every problem connected with security sales and merchandising. First, we believe that a sound security business is based upon the premise that you must KEEP YOUR CLIENTS. We do not believe that any security dealer can operate upon any other basis and make his business pay. This means giving service, paying attention to the needs of clients, selling the right type of securities to fit the requirements of the investor, and treating the customer fairly as to mark-up. The second fundamental, which we seem to stress even more than the first in our weekly articles, is that every firm and every salesman MUST CONSTANTLY ACQUIRE NEW ACCOUNTS. The reason for so-doing are obvious. Clients die, move away, or become dissatisfied (you can't please everyone no matter how hard you try), and for various other reasons you must not only replace lost clients but constantly expand a clientele. No business can REMAIN STATIC WITHOUT GOING BACKWARD.

The reason we place more emphasis upon the building of new accounts rather than keeping old customers is that we believe that most security dealers find it more difficult to build new business than to keep the old. The average security dealer does a pretty good job for his clients. He keeps them informed as to their holdings—he calls them occasionally on the phone or pays them a personal visit. In many instances he makes up their income tax returns and he takes a fair mark-up on their purchases and sales.

There are short cuts and good ideas that assist salesmen in opening new accounts such as direct mail and newspaper advertising campaigns to procure leads. All these things progressive dealers are willing and anxious to try in seeking the best method of building up a new business. Yet they all boil down to one essential element—THEY MUST BE BACKED UP BY CONSISTENT WORK.

Several weeks ago we were discussing a campaign which drew a 10% reply for a dealer. This was the result of a mailing that went to a stockholders' list, using a double reply card. This dealer was very pleased with the results as to the mail inquiries received. Yet, he seemed disappointed as to the actual sales resulting from this campaign. Further questioning made the answer very simple—HIS SALESMEN HADN'T FOLLOWED UP THE LEADS. Now, it doesn't seem possible that any intelligent human being could possibly expect orders to come in from a single postal card mailing without any further work on the part of the sales organization—but this is almost what this dealer had in mind.

Further questioning indicated that this organization had no plan of regular solicitation of new accounts. Salesmen called on their prospects and clients whenever they felt like it and in a haphazard manner. Here was the suggestion which was made to this dealer. Take the list you circularized. Make personal calls upon every one who replied. Don't try to sell a security on first call—SELL YOUR FIRM, YOUR SERVICE, YOUR PERSONALITY. Pick out the names of everyone who was contacted on the first mailing **and who did not reply** AND CALL UPON THEM TOO.. Those who do not reply to a mailing are sometimes better potential clients than those who do reply. SOME OF THEM ARE AFRAID TO SEE SALESMEN BECAUSE THEY KNOW THEY CANNOT RESIST THEIR APPEALS—MANY OF THEM ARE RIGHT IN THINKING THIS WAY—THEY MAKE GOOD CUSTOMERS. Then call upon these names with the idea in mind of eliminating the dead-wood and selecting the actual and potential customers.

Then make a RULE TO SEE AT LEAST FIVE NEW PEOPLE EVER WEEK. Whether you get them from a list, a campaign for new leads, from radiation, from friends, or out of the telephone book—SEE THEM.

This system will build a business. It's nine-tenths work and one-tenth inspiration—but it can't fail.

Jordan Defends America's Business Record

(Continued from page 2149)

ica of 1939 and of 1925, which is approximately the date of Teapot Dome. It is a justifiable war because it is being fought in defense of the whole American record through the years, white and black.

"What is that record and what is that nation? Our discontented college youth of a few years ago, educated by two decades of savage devaluation of America, complained because we had no flaming American ideal to compete with the dynamic ideal which Hitler and Mussolini and the Japanese official murder fraternities provided for their own youth. But if our young people had looked at the American record in the whole and in its essentials, they would have found an American purpose to enlist their loyalty and stir their pulses. The country which we are defending today was there five years ago, and twenty years ago.

"What is this America that we are now fighting to defend? For more than a year after the collapse of France, England alone held the gate against Hitler. Without the English stand America would have had no time to become the arsenal of democracy. But without the good hope of American aid England might have been unequal to the mighty task. We are the hope of the world today in the sense that we have the final say. We have the casting vote for victory, and we have cast it for humanity and civilization.

"That is the kind of America people are asked to defend—the old hope, the old record. When our young people a few years ago envied the flaming faith in the hearts of Hitler's and Mussolini's young men, did they happen to note the identity of the country to which the victims of Hitler's and Mussolini's crusading faith were fleeing for refuge? The refugees came to America, as the refugees have been coming to America for more than 300 years. The victims of the Hitler terror did not stipulate for a better America before they consented to seek refuge here. Our old American Status Quo was plenty good enough for them. Our old American Status Quo gave them life, liberty and livelihood.

"What, then, do we seriously mean that America of the 12,000,000 unemployed ten years ago is the hope of the world? Yes.

"America of the Economic Royalists and utility pirates the hope of the world? Yes.

"America of the Ku Klux fanatics, of the Negro lynchings, of the Dillingers and the corrupt politicians—this America the hope of the world? Yes.

"One need not take America's word for it. Ask the people of Britain, Russia, China and the conquered and martyred nations of Europe what they think of the American record."

So, gentlemen, though times change and no man can swim in the same river twice, and we can and should admit that we might have done better, and hope to do it, we must take America all together as she was and is and will be, an inseparable whole, priceless and irreplaceable.

When we speak to our sons and brothers on the battlefront or to our comrades at home of the aspirations and problems of the future against the efforts or failures of our past, whether as business or labor leaders, let us not abandon or abate the smallest bit of our integrity, loyalty or self-respect or pride as a group or as a people, or repudiate or bargain away for whatever benefit or favor from the present or the future the least thing, good or bad, in the qualities or the record of the past of our country or our people. To do otherwise for a moment is to leave these millions abroad spiritually homeless, exiles and castaways on alien soil. They may not care, or know now whether they do or not; but let us remember that if we are to win this war, we have not merely to bring these boys back to America, but we have to bring America back to them.

Cabell Named Head Of Exchange Firms Ass'n

Wm. Wymond Cabell, senior partner of the Richmond, Va., firm of Branch, Cabell & Co., has been elected President of the Association of Stock Exchange Firms at a meeting of the Board held in Cincinnati, Ohio. Mr. Cabell, who succeeds John L. Clark, resigned, has been a member of the Exchange since 1936, a Governor of the Exchange for the past two years and is a former President of the Virginia-Carolina Chemical Corp. and a director of the Johnson Publishing Co. He was elected a Governor of the Association upon its reorganization in 1941 and last fall was re-elected. He will continue to make his headquarters in Richmond.

John L. Clark, President of the Association since September, 1942, had indicated some time ago that he would be unable to continue beyond the May meeting. The Board elected Mr. Clark a Governor. He will continue as a partner of Abbott, Proctor & Paine.

Henry C. Merritt, Assistant to the President for the past four months, was elected Executive Vice-President. Before coming to the Association in February of this year, Mr. Merritt was employed by the Republic Aviation Corp., previous to which he had spent 20 years in the investment banking and brokerage business.

Bright Outlook

The Aetna Insurance Company capital stock offers a conservative, high-grade investment security with very interesting growth possibilities, according to a study of the situation issued by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles Calif. Copies of this study may be had upon request from Butler-Huff & Co.

Enhancement Possibilities

PEP Bonds afford interesting possibilities for enhancement with particular appeal to those seeking long-term capital gains according to a summary of recent developments in the situation prepared by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of their interesting circular may be had upon request from Scherck, Richter Co.

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Mutual Funds

Investment Company Gauge

Each quarter **BARRON'S** holds a mirror up to the investment company field and publishes the results for all and sundry to see. It would be difficult to assess the value of these surveys, both to investors and to the investment companies themselves. For, certainly, this "Quarterly Investment Company Gauge" everlastingly continues to place emphasis on **management**—where it rightfully belongs!

The steady and marked improvement in investment company performance during recent years is clearly illustrated by the current issue of the "Gauge," published in the May 1 edition of **BARRON'S.** There it is shown that in the periods from the end of 1936 and the end of 1938 up to March 31, 1944, the 23 common stock funds included in the "Gauge" did not do as well as the Dow-Jones Composite Average—although in the latter period there was a noticeable closing of the "performance gap."

However, in the more recent periods from the end of 1940 and the end of 1942 to March 31, 1944, the 23 common stock funds gave a better account of themselves, beating the Dow-Jones Composite Average by 3.9 percentage points in the first period and trailing by only 1.4 percentage points in the second.

The improved performance of the mutual funds, as measured by the **BARRON'S** "Gauge" has resulted in the wholesale reprinting of these quarterly surveys by the various sponsors. This is another wholesome development, giving as it does widespread publicity to an unbiased measurement of investment company performance. (In the days when the funds had less reason to be proud of their performance, there were fewer reprints of the **BARRON'S** "Gauge.")

In this week's mail three such reprints came to hand. One was issued by **North American Securities Co.,** general distributors of **Commonwealth Investment Co.** Commonwealth has the distinction of standing at the top of the list in performance for both of the longer periods covered by the "Gauge." Another was published by **Hugh W. Long & Co.** in behalf of **Fundamental Investors** which stood high in performance over both of these same periods. **Distributors Group,** sponsor of **Group Securities, Inc.,** published a reprint in which the performance of the various classes of Group Securities Inc. not already included in the **BARRON'S** list were added for comparative purposes.

Railroad
Equipment Shares

A Class of Group Securities, Inc.

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A highly interesting "Study in Values" is the subject of **Keystone Corp.'s** current issue of **Keynotes.** This study shows the present earnings of the securities held in the four **Keystone Stock Funds** in relation to their 1936 prices and also in relation to their current prices.

The chart reveals that "net earnings range from slightly above to well over twice 1936, despite high wartime taxes." Prices, on the other hand, are "only 40% to 70% of 1936 price levels."

The bulletin concludes as follows: "While there have been similar deviations in past periods, earnings have always ultimately reasserted themselves as the basic factor in determining stock values and stock prices."

* * *

Investment Timing, published by the Economics & Investment Department of **National Securities & Research Corp.,** is currently carrying a series of articles on "Scientific Developments from the Investor's Viewpoint." The discussion in the current issue is the third in the series and is on **Electronics.** Concludes the article:

"After the war, vigorous impetus is expected in electronic expansion in the fields of improved radio, television, X-ray, radar and a vast number of new industrial applications, stimulating prosperity and increased earnings for the companies in the electronics in-

(Continued on page 2157)

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The Prospects For Post-War Air Cargo

(Continued from First Page)

dominating force in today's vast global war, and which will probably do more in tomorrow's era of peace than any other one thing to preserve peace, and to change the habits of the world.

No other form of transportation has ever experienced such rapid growth. Within 35 years after the invention of the airplane, it had become a factor in the domestic commerce of this and many other countries, and today the Air Age has become a global reality, expedited by the necessities of World War II. Prior to 1939, American pilots made about 33 transatlantic flights. In the one year of 1943, 4 years later, thousands upon thousands of flights were made over the Atlantic alone by planes under the direction of our Army Air Transport Command and the Naval Air Transport Service. Never before has such a great transportation change taken place in so short a span of time. And, almost incredible as it is, it is a mere hint of what is to come. The air-nearness of all people, one to another, is rapidly acquiring new, unprecedented and unpredictable potentials not only in a military sense, but for every phase of human activity. It is toward the post-war aspects of this changing scene, and particularly the cargo aspect, that I intend to direct my comments.

Commerce and industry and trade, and the growth of trade centers, have always been limited by, or stimulated by, the speed of transportation. The history of society, trade, and culture has been one of expanding horizons brought about by increased and speedier means of inter-communication. Water was the first great highway. Because of this the earliest centers of trade grew up on coasts and on great rivers. It took longer for transportation to conquer the land because of the natural barriers that existed in the form of mountains and rivers, and deserts, but eventually land commerce routes linked the interior with the centers of commerce that had grown up on the coasts and on lakes and great rivers. But, ships could not travel on land, and land transport was forced to stop at water boundaries. Hence, surface transportation has always been restricted by the limits of the medium on which it was intended to move and in spite of technological developments which brought increased speed the time of surface transport over distances has been measured in days and weeks rather than in minutes and hours.

Air Transportation brings history's greatest step in speed and gives commerce freedom in the one great universal element in which it can move without the restrictions or boundaries or obstacles which have always beset surface transportation. The great air bridge which covers the earth has made it possible for the airplane to destroy all of the barriers of land and water.

Today, no spot on the globe is more distant than sixty hours in flying time from any other spot. This relatively new form of transportation, just now coming into its own, has forced us to revise all our ideas about distance, to think in terms of hours and minutes instead of weeks and months and miles—to discard all our old yard sticks. It is no longer 11,300 miles, and 31 days, from New York to Chungking. Air reduces the miles to 7,500 and flying cuts the time to 38 hours. Merchandise can reach markets in Moscow in 23 hours after it leaves New York. People and products can go from San Francisco to Brisbane in 35 hours instead of the former 21 days. So, if domestic air transportation in these United States has, as has been said, shrunk our country to the size of Pennsylvania, international air transportation will shrink the world to the size of the Mississippi Valley, in terms of relative improvement of transport speed and with particular reference to the carriage of *goods* by air.

Air Transportation of cargo is too new to be a known quantity in commerce. The airlines of this country, and those abroad, obtained their pre-war growth primarily as carriers of passengers and mail and made no real attempts to invade the cargo field. There are a few records of movements of merchandise by air in the earliest years, but it was not until 1927 that any coordinated and regularly scheduled air cargo service was inaugurated. On September 1st of that year, air cargo took its first real step, in the form of Air Express. At that time only four airlines were operating regularly scheduled air service in the United States, with a total of 4,508 route miles, and only 26 points enjoyed direct air service. In 1928, the first full year of Air Express, approximately 17,000 shipments were carried, weighing a total of 64,000 pounds — an average of three and two-thirds pounds per shipment.

In 1943, only fifteen years later, commercial air transportation had grown to the point where there were 42,000 route miles of scheduled service in the United States with more than 350 cities served directly. Relatively, express volume has grown, too, but the 1,630,000 shipments which were carried, aggregating 32,577,000 pounds, and averaging 20 pounds per shipment, constituted only an infinitesimal part of the total volume of merchandise transported by other forms of transportation.

We can safely say, therefore, that the value of air transportation's speed and flexibility in the cargo field has been really tested only by war, but the results of that still continuing test are indicating that air cargo can take a major role in the post-war carriage of commodities. It is, therefore, not too early for us to translate what war has taught us into terms of peacetime commerce—and to study the place the airplane will have in post-war transportation and the effects it will have on channels of distribution, on methods of selling, and on shipping habits.

Many prophets are lifting their voices to describe their views of the effects of air transportation upon surface transportation. These views vary widely. Some of the more optimistic proponents of air transportation have visualized it as driving great railroads and great steamship companies into bankruptcy. Others have failed to see the possibilities in carriage by air and have accorded to it only a stingy fringe of the things that move in commerce — emergency shipments, and high value—lightweight commodities.

Even in pre-war days airplanes were used at one time or another to move almost every commodity used by man. Mining machinery was carreid by air to points inaccessible to surface transportation. Oil companies shipped supplies into jungle-bound airports. Perishable food products were moved in hours to remote points where weeks would have been required in surface transportation. Drugs and dresses, coats and cut flowers, hardware and repair parts and millinery and machinery all have reached their users by air. Future air cargo will not have to find new commodities to move, but it will have to prove its economic usefulness to each and every commodity that it hopes to carry. It can wrest traffic from surface transportation only to the extent that it can add economic or other real values because of its increased speed and flexibility. Like every other new facility for transport, it must seek the level of its greatest usefulness and it will absorb traffic and create traffic in the fields that it can serve best. Motor vehicles, because they were more useful for short distances, took much short haul traffic from the railroads. They also created other traffic which, in some instances, has been ultimately turned over to the longer haul of the railroads. The airplane will not only take a portion of the long haul traffic of the railroads, but, as did the railroads, will constantly extend the length of the average haul by the creation of new, long haul traffic. In my opinion, the airplane will not take the place of rail or motor, or water carriers, but it *will* divert a large portion of their business that they have retained only because of the *lack* of faster transportation, and, since the advent of the airlines, by virtue of their lower rates. Wherever the speed and flexibility of flight can make money for shipper or for consignee it will replace slower modes of transport, for, as Mr. Pogue, Chairman of the Civil Aeronautics Board, has said, "Services that make money have a habit of becoming popular."

Two major factors are temporarily retarding the growth of commercial air *cargo* transportation in the United States today. Almost two years ago our domestic airlines turned over to the Army nearly one-half of their total fleet of transport planes. Very few of these planes have yet been returned. So, today, when we are faced with more traffic of every kind than at any time in our history, we are terribly short of equipment. Under these conditions cargo cannot be allotted as much space as it needs in the limited service which we operate, and we have been unable to allocate any *appreciable* number of planes to a badly needed exclusive cargo service. After the war these conditions will certainly change, and increased production of planes is already making it possible for the Army to return a very few planes to us and we hope before long to get planes particularly adapted to the exclusive carriage of mail and cargo.

The other retarding factor is rates. Even though Air Express rates have been reduced a number of times tince the service first began, they are still high in comparison with those in effect for the fastest forms of surface transportation. In July of 1943, they were reduced from a base rate of 80c per ton mile to the present figure of 70c per ton mile. Today's rate is still about six times that of rail express.

Further reductions in Air Express rates will come as soon as the airlines can secure enough additional equipment to enable them to handle an expanded cargo volume and to get the benefit of the economies which a specialized cargo operation will give. When that hapepns, the airlines will be anxious to make further reductions in rates. Quite probably, during a post-war transition period of two to three years, the shipping public will see rates for Air Express reduced to approximately 60% of their present level and the inauguration of Air Freight Service at somewhat lower rates. After this transition period, when aircraft manufacturers have had an opportunity to tool up and get into production in quantity on cargo planes built to airline specifications, rates will again be reduced and to a much lower level. Rate reductions can only come, however, as operating costs are reduced, and we have not proceeded far enough in our research and planning for me to be able to give any prediction as to what ultimate air freight rates might be. I feel safe in saying, however, in fairness to the shippers who, in their post-war planning, are trying to intelligently take air transportation into consideration, that the rates to the public of 5 and 7 cents per ton mile, which are being talked about by theorists who have had no practical experience in airline operation, cannot be expected in the foreseeable future. I am also quite certain that Air Freight rates will remain above those of surface transportation, but the advantages of air transportation will offset for many products and for much traffic, the difference in rates.

At the same time that rates come down other changes will come about because of industry's determination to take advantage of and receive the values of air transportation. Packing methods will change and packing costs will be reduced. In international trade today, packing sometimes increases surface shipping costs from 10% to 20% because of the necessity for using heavy crates that can withstand the abuse of trans-shipment and of loading, unloading, and carriage; because of high ocean freight rates on the basis of measurement or weight, whichever is greater, and because internal revenue taxes and customs duties in many countries, being based on the landed cost of the shipment, take additional toll from increased packing costs and the other increases that they bring about. Since carriage by air requires less handling and less rough treatment en route, lighter packing will be possible in both domestic and foreign air commerce. This will be particularly true in international trade where unloading, trans-shipment, lighterage, and reloading will not be necessary in air transportation as it has been in surface transportation.

Probably many industries seeking to use the advantages of air transport to expand markets will use lighter weight materials in the manufacture of their products. Just a few days ago I read of the preparations one manufacturer is making to market, after the war, a 21-pound furnace that will heat a 15-room house. Incidentally, it was military *aviation* that brought about this furnace—the necessity for developing a light weight compact heating unit that would keep bomber crews warm in the sub-zero temperatures encountered at extremely high altitudes. We've never considered furnaces as logical air cargo potential in the past, but such a development as this can change the picture completely. Dehydration will also be used to prepare food products for carriage by air. As an example of the reduction in both weight and space resulting from dehydration, government bureaus have stated that a bushel of potatoes weighing 60 pounds weighs only 8 pounds after dehydration, that cabbage shrinks in weight from 20 to 1, and that dehydrated soup shipped to our allies during the month of May, 1943, alone, saved 20,000 cubic feet of cargo space.

These changes in products and methods, and other changes, will be taken advantage of to further bring down the costs of carriage of commodities by air.

Our present methods of marketing and distribution will feel the specific effects of air cargo in many ways. Companies that have been limited in the markets that they could economically reach by slower surface transportation will reach out into new markets. Others that may be less progressive and do not care to expand may be forced to do so in order to survive, because air transport will make it possible for remote competitors to invade the nearby markets upon which companies of a local nature have always depended for their volume.

New markets will be created. Fruits and vegetables which have always been picked green, to ripen en route, will move over night to market centers, and consumers who, for the first time, are able to enjoy new flavor and new freshness will continue to demand that these products move beyond the limits practicable with slower transportation. In the style market, too, expansion will mean more sales and therefore more traffic.

With faster transportation will come saving in the capital needed to do business. A tremendous amount of capital formerly locked up in inventories of retailers and jobbers will be released when the speed of air transport makes it possible to carry smaller stocks because they can be replenished in hours instead of days or weeks. Perhaps some manufacturers will resist this trend towards hand-to-mouth buying, but once the retailer sees his way clear to take advantage of it the suppliers who fall in line with his desire to do business on lower inventories, and with less investment in storage space, will win the first lap in the race with competition. Furthermore, there will be less of today's great waste of capital invested in goods in transit. Even the most elemental student of business knows that goods in transit are idle goods that can earn no profit through sale, and if a national chain organization that today has an average of a quarter of a million dollars worth of merchandise in transit at all times can use the greater speed of air transportation to cut that average to $50,000, the saving is obvious.

A collateral of saving in capital is turn-over. Air transportation will make it possible to speed up turn-over, and greater turn-over means more profits on more transactions. Nor will profits increase merely because of more transactions; expenses will be lowered because the outlay per unit of product for cost of capital will be less, and because rentals, insurance costs, handling costs, and even salaries of administrative officials, and overhead generally, will be less on each unit sold.

There will be less risk of loss from style, obsolescence, price instability, and seasonability when air transportation speeds the movement of merchandise. When stores carry less stock they become decreasingly vulnerable to changes in style and to whims of public fancy; with less money tied up in inventories manufacturers will be more ready to modify their products to suit changing demands. Many retailers will no longer find it necessary to place orders for merchandise weeks in advance and blind to the actual need they might be experiencing at the time for which they have been ordering. This will make it possible for the retailer to reduce his price risk and his style or deterioration risk.

In the high-priced style field, most "creations" in hats, shoes, and accessories, as well as dresses and coats, originate in style centers like New York. Top notch stores in San Francisco or Mexico City, or Buenos Aires are given exclusive offerings for a few weeks before they are copied and moved down into the medium and low priced shops. It makes a lot of difference, even in Dallas or Kansas City if fewer days of this precious long-profit time are used in transportation rather than in selling.

Losses from price instability can be cut by use of air. In certain perishable fields, shippers frequently start carload movements towards distant market areas before the commodity is sold, expecting to take advantage of an opportunity to divert the shipment to a market where a price advantage can be gained. These "rollers" *may* be sold on an advantageous market, or they may move slowly across the country without the anticipated profit opportunity and end up on the opposite coast after deterioration has taken such a toll that a substantial loss replaces any possible opportunity for profit. Air transportation may make it possible for much of this traffic to be held at the point of production until a market rise at a particular point dictates that it be placed there by air in a matter of hours, in fresh condition, and ready for sale at top market prices.

Air cargo transportation may bring about important changes for the wholesaler and the intermediate distribution center. To the extent that more shipments are made direct from manufacturer to retailer, by air, and to the extent that more manufacturers will sell direct to consumers, the need for wholesalers and distribution centers will be diminished.

Public warehousing will unquestionably be affected. Warehouses are, in many ways, a part of the transportation system of the country, and the need for them has arisen to some extent out of the need of distributors to overcome the time lag between the depletion of the dealers' stock and receipt of replacement from the factory. As air transportation makes it possible for wholesalers and retailers to replenish their stocks more quickly, the need for the warehouse will be diminished.

As soon as air freight can make substantial reductions in its rates, it will attract much traffic in the form of perishable food products. In the immediate post-war period, it will probably touch only a marginal part of this traffic because its rates will still be too high to compete for the vast bulk of fruits and vegetables, and meats, which move long distances from producing centers to centers of consumer population. Even in that period, however, the airplane will move a goodly portion of the more perishable and higher priced products to distant markets where fine restaurants and first-class hotels will attract trade by advertising top grade fruits and vegetables, and seafood, fresh from distant producing areas. Later, as rates drop further, these products will move in greater quantities, because overnight movement will eliminate the need for, and the cost of, refrigeration and because producers can take advantage of momentary price rises through the ability to ship quickly to any point. It is not likely that airplanes will have to be encumbered with heavy and costly refrigeration equipment. Since they can move, in the domestic market, entirely across the country even today in 18 hours, it appears that precooling of the product and proper insulation will suffice.

The value of air transportation increases in almost direct ratio with the distance between the points served, and it therefore follows that the international field is one of its broadest opportunities, because of the greater distances and the longer times en route. In international trade, there is an even greater spread between the price that the producer gets for his product and the price the consumer in the foreign country pays, than there is in the domestic field. This "spread" is enhanced because of several factors peculiar to international trade. These include, in surface transportation, the greater cost of export packing, the expenses of trans-shipment at ports, consular fees, marine insurance, export and import duties, port charges, and the cost of financing the shipment for a longer time en route. Many of these costs may be cut materially by air transportation, and some eliminated entirely. With air freight moving at a speed approximately 25 times that of ocean freight, interest charges on inventories in transit will be greatly reduced. The greater cost for export packing, as has been previously pointed out, will be eliminated. Since airplanes will leave from interior points and land at interior points, all of the expensive features of trans-shipment at land-water borders will be eliminated. Very probably, insurance costs will come down because goods in transit a shorter time are subjected to less opportunity for deterioration, because less handling and rehandling lowers the opportunity for pilferage, and because wear and tear and breakage are diminished when shipments are carried by air instead of by rail and steamship.

There is a very definite certainty that the end of this war will signal great expansion in commercial air transportation, and as that expansion progresses the changes I have mentioned will follow. So, in its post-war planning, almost *every* type of business must consider how its methods and its profits and its existence will be affected by these changes, and the rapidity with which they come about. The domestic airlines of the United States or formulating *their* plans for *expansion*, are searching for ways to improve service and reduce operating costs, and are analyzing market potentials and traffic characteristics in their *own* future planning. American business and the airlines of the United States must move forward together in their efforts to stimulate the growth of this newest form of transportation, and to take every possible advantage of the dominant place our country holds today in the field of aviation. If we do *this*, and if we can *establish American competitive principles in international air transportation*, we will have done much to guarantee our territorial security and our social, cultural and economic welfare in the post-war world.

Shortcomings Of United Nations' Porposed Stabilization Fund

(Continued from first page)

high level of employment and real income, which must be a primary objective of economic policy.

(3) To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(4) To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.

(5) To assist in the establishment among member countries of multilateral payments facilities on current transactions and to aid in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(6) To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

With number one there should be no disagreement because it is generally believed that a permanent institution devoted to international monetary matters would be productive of much good as it would provide a meeting place for the representatives of the various nations to discuss their monetary and financial problems. Such an organization could also gather statistics on those subjects and by disseminating the information acquired enable Treasury officials and the business world generally to keep informed on trade and financial movements throughout the world. This would be of special value to exporters and importers in all countries. But the machinery for this already exists in the Bank for International Settlements. By amendments to its charter when Germany is defeated it can be made to perform the services described.

Number two is a generalization of the objectives sought with which all will agree and again I say the Bank for International Settlements can be successfully and practically used to facilitate and expedite the flow of world trade.

Number three is the kernel of the proposal for the International Monetary Fund and with this there are serious objections. In the first place it proposes the creation of a Super Bank to cooperate with another World Bank for Reconstruction, and these together with other international bodies, to be organized, will unite to form the Super Government. Now idealistically perhaps the Planners are drawing a beautiful picture, but they seem to leave out the practical question; will it work in this distraught world? Imagine for a moment that this great International Super Bank has been created and is at work. The stockholders are the 30 or more United Nations. They have selected their representatives to serve on the board of directors. The Board is in session and is considering the post-war problems before it. They are many and pressing. One director represents a great creditor nation, the United States of America, which by good fortune has great natural resources, a great industrial and agricultural plant, an intelligent and industrious population of 130 million people and about two-thirds of the monetary gold of the world. Another director also represents a great country, but it has by reason of two exhausting wars changed from a creditor position to one of a debtor in substantial amounts to other countries. That is the United Kingdom of Great Britain and Northern Ireland.

There are a few of the smaller countries represented by directors who sit in creditor seats but the large majority of the directors represent nations which either from the ravages of war or unfavorable economic conditions at home are indebted abroad. The reconstruction of many devastated countries is desired and large amounts of materials of all kinds must be imported so that the debtor nations need more credit for those purposes. It is but natural that the majority will be favorable to the liberal use of the resources of the Fund, and the creditor countries will want to be helpful of course, but as a matter of fact they must acquiesce. If they refuse or if they withdraw, as they may, they will create great ill will and defeat the very purpose for which the Fund was created. And furthermore, it is not unreasonable to expect that when the resources of the Fund shall have been exhausted, demands will be made for further assessments against the members and it is easy to see that the nation declining to contribute would be pointed out as defeating the program for reconstruction. So we would find ourselves in the position of having our original contribution frozen in the Fund, and if we didn't pay up again we would see a serious derangement in the exchanges which is the very thing we want to correct. So it seems to me to be a very impractical approach to a problem, which, all agree, should be solved if possible. Furthermore, I feel that a survey of the work that the Planners have carried out in the international field, such as the Board of Economic Warfare, does not cause one to feel that the degree of success is sufficient to create confidence in their ability to carry a larger project to a prosperous or profitable end. As a matter of fact, there is considerable doubt in the minds of many that the Planners have done such a good job on the domestic front. The philosophy behind them all is the same, namely, that a few men at the seat of government can successfully plan the affairs of the people for them and then getting together with similar groups of Planners from other countries map out the course for all mankind. Well, I think it is too big a job even for the brightest minds, with human nature what it is.

Another bad feature in the proposed Fund is one that you find in all programs of the Planners. In order to make the plan work they provide for the exercise of power, for they instinctively feel the difficulties inherent in the plan and they intend to see that it works by forcing compliance if necessary. In the instant case the plan provides "Changes (in the par value of a member's currency—expressed in terms of gold) shall be made only with the approval of the Fund, subject to the provisions below" and then it provides the conditions under which changes can be made. While member countries may not give up their sovereign right to fix their currencies to suit themselves they are placed in a position where the finger of scorn and opprobium of the other nations would be pointed at one which did not comply with the clear intent of the plan, namely cooperative action. For example, our Congress would find it embarrassing to take any action concerning our currency or monetary matters without the approval of the Fund. It is clearly the intent of the framers that member countries to a degree surrender their economic sovereignty. This is further borne out by the evident intention in the plan for the directors of the Fund to have the power to change the value of the currencies uniformly, even though a country having 10% of the aggregate quotas could veto the proposal because the hesitant country would feel the pressure of world opinion to force it into agreement. If our country should find itself in that position we would see our Congress faced with world opinion demanding that it conform to the program of the Fund even though it might be inimical to our best interests.

And further, "The Fund may require a member country to exercise controls to prevent such uses of the resources of the Fund." This refers to capital transactions and it goes on "Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange provided such capital movements are in accordance with the purpose of the Fund." Other examples can be cited to show the intent of the framers of the plan to put the Fund in a position to punish any member country which does not subordinate its sovereignty in such matters to the Fund. It is so drawn as to enclose the fist in the velvet glove but it is there to strike if desired.

The fourth, fifth and sixth statements could apply equally well to the Bank for International Settlements because the carrying out of these aims requires no Super Bank, but merely machinery already existing and of accumulated experience.

Now it has been said that bankers are prone to criticize but lacking in constructive proposals. That cannot fairly be said on this subject because the excellent report of the Economic Policy Commission of the American Bankers Association has laid down the fundamental principles which should guide any program for the stabilization of currencies and defined the boundaries within which it should be confined. Furthermore, Mr. Leon Fraser, the able President of the First National Bank of New York who has probably had more experience in international monetary affairs than any person in this country, has offered a definite proposal for the stabilization of currencies. This plan has met with general approval of the American banking profession because it is believed to be practical and sound. If adopted it would lead to an early improvement in exchanges throughout the world based on the dollar and pound sterling redeemable in gold at a stated value.

It is reasonable to assume that under the Fraser plan a sound international medium of exchange, namely the dollar and the pound, will be quickly realized after the termination of hostilities in Europe. Under the proposed International Monetary Fund it is specifically provided that during the period of transition following the war member countries would be permitted to retain their exchange controls with the expectation that these would gradually be relaxed. If as is argued by the proponents of the Fund the stabilization of currencies is believed to be a prerequisite to post-war recovery, then the quicker it is accomplished the better. Their plan certainly does not hurry it up.

Mr. Fraser recommends that the Bank for International Settlements be enlarged and its functions extended to enable it to perform the services heretofore referred to. It should be emphasized, however, that the Bank for International Settlements in comparison to International Monetary Fund is a small institution and while it can be very useful in helping to stabilize currencies and effect settlements between the central banks and treasuries of the various countries it does not have the large size or the political power to exert the pressure it is intended the International Monetary Fund shall do. Its activities would complement the ordinary day to day transactions in order to render more stable the operations in foreign exchange, but it would not be in a position to dominate the operations to the extent of affecting any country's internal economy. And it could very effectively provide a meeting place for the representatives of the nations "for consultation on international monetary problems." Mr. Fraser's recommendations seem to me to be so much more practical and capable of accomplishment than the program outlined by the technicians of the United Nations that I hope the Congress will substitute the one for the other, or as it may be expressed the practical for the idealistic.

It is easy to see, however, that the authors of the Treasury plan do not want the advice of practical men. Last October I asked Mr. Bell, Under Secretary of the Treasury, to give the American Bankers Association an opportunity to discuss the proposed plan for the stabilization of currencies with their technical men before the plan was made public and I told him that I had appointed a committee to study post-war financial problems, which could be called together whenever he advised that his men were ready. He readily agreed and phoned Doctor White to act accordingly — but nothing further has been heard from them. Now I do not charge Mr. Bell with bad faith. I think he left it with Doctor White, who either forgot it or purposely avoided carrying out the agreement. In either case, it is apparent that he did not want to call in the committee of the American Bankers Association which represents over 90% of the banks of this country and has within its membership some very able men familiar with the subject of foreign trade, foreign exchange and stabilization of currencies. It is very unfortunate that our Government would at a critical time like this fail to utilize the experience and judgment of such a large body of trained men in its efforts to meet the perplexing problems with which we are faced.

Interesting Possibilities

The post-war outlook for the stove, shoe, and brewing industries appears attractive according to interesting statistical analyses of these fields prepared by Lester & Co., 621 South Spring Street, Los Angeles, Calif., members of the Los Angeles Stock Exchange. Copies of these interesting analyses may be had upon request from Lester & Co.

Post-War Jobs

(Continued from first page)

marily as his political **agent**, reserving to himself the right and privilege of wealth getting and distributing—in short, of making a living. To that end he should require of his Government only that by legislation and administration, and with special privileges or favors to no group or class, it shall establish fair and clear-cut "rules of the game," and keep clear the field of private competitive enterprise. The term "free enterprise," has been given many definitions and meanings. For the present purpose we shall consider it as that economic system under which the individual has access to the raw materials of nature, to labor and capital (tools, machinery, etc.), and to managerial skill and experience, under conditions of open competition, in order to produce and distribute the goods and services needed by **consumers**, at a profit to himself, and to the economic and social advantage of all. The motive, the drive, of all enterprise is **profit.** It thus differs basically from the motive of "production for use" of most socialistic schemes and theories. Our system of capitalism or free enterprise has not only made us the richest nation in the world, the most powerful in peace and war alike, but it has given us the highest standard of living anywhere in history. As the Baruch Report says: "The war has been a crucible for all of the economic systems of the world, for our own, for Communism, Fascism, Nazism—all the others. And the American system has out-produced the world."

It is true, of course, that when as now free democratic peoples are compelled to fight for their liberty free enterprise, competition, and most peacetime functions and motives must of necessity be subordinated, but only "for the duration." Our marvellous war production has been devoted primarily to **destructive** purposes. Aside from technological advances, new materials and processes, war spells destruction, waste, economic exhaustion, debt (mortgage on future production), and in the case of ravaged and defeated countries long years of sacrifice, low living standards, painful reconstruction. These are the costs, current and future, of war—the killing or maiming of millions of young men and workers, the burdens and privations of non-combatants, the normal gains of peacetime production, the suspension or ruin of numerous small enterprises. The generation that wages a war has to pay for it.

And in waging war there can be no thought either of cost or of profit. Of necessity the Government becomes the big producer, buyer, seller, borrower, spender, employer, director. This is a clear case of production for use, destructive use, with no consideration of profit to anybody. To be sure there will always be a few unpatriotic, sordid chiselers who find opportunity to make a contemptible profit from war through black markets (in which selfish buyers are equally culpable with sellers), strikes and stoppages on war production, "get mine now" grabbers in both industry and labor, and pressure groups resisting adequate war taxes and efforts to keep prices stabilized and so to prevent inflation which would be vastly more burdensome than the heaviest taxes. These almost inevitable evils of war, which nothing short of Gestapo methods would wholly eliminate, do not, however, affect any large proportion of our people. Most of us recognize the necessity in war times of such Government controls as priorities, price-fixing, rationing, and other restrictions upon our normal way of living, even though we may exercise our democratic privilege of grouching about them and sounding off about how much better it could be done.

To our almost incredible achievement in war production history will credit no small part of the victory for freedom. In this achievement, culminating in an annual aggregate war output exceeding that of all the rest of the world, valued in terms of money at over $90 billion, there is enough "glory" (though this word should be reserved for those who risked their lives to preserve our freedoms) to go around—to agriculture, labor, industry, and the scores of coordinating agencies set up for specific war tasks. It may not be inappropriate, however, to point out that in the main these agencies, organizations and activities have been directed and coordinated by executives whose business genius, organizing and managerial skill and experience, had demonstrated in private enterprise their capacity to organize American industry for the biggest production job in history, a job that has made America "the arsenal of democracy."

It can be asserted with confidence that an overwhelming majority of the people of this country believe firmly in restoring our system of free enterprise as quickly and fully as is possible after the war ends. And, perhaps, it is later than some of us think. Even as the war effort rises to its peak, raining destruction and defeat upon the enemy, partial demobilization and reconversion have begun. Though production of some types of war supplies is still rising it is tapering off in others. War contracts are being cut back, renegotiated; some war plants are curtailing maximum operations; some dribbles are being released from the huge accumulated reserves for civilian use. A trickle of overseas fighting men are coming home and an increasing number of discharged men are looking for work. Soon the full tide of the employment problem will set in.

Above the confusion of voices, surveys, reports and plans concerning post-war employment, some simple but basic economic considerations stand out clearly. In the first place, we must be reminded that the purpose and end of all production is **consumption.** Laborers and capital and management work on natural resources to produce goods and services that consumers want and are able to pay for. Business consists essentially of the exchange of goods and services for other goods and services by means of an intricate network of mechanisms, processes and devices. None of the prime factors in production—land, labor, capital, management—will or should work without reward, that is, getting its proper share of what is produced according to its or his contribution to the cooperative effort. And at the end of the line it is the consumer who pays the bill, pays it by exchanging his goods or services for those of others.

The important point here is that the consumer will not get what he wants unless he is wiling and able to pay for it, including a profit to producers and disdistributors. In the distribution or dividing up of the total product the largest share (more than one-half) goes to "wages and salaries." Normally, fewer than a half of our total population are "gainfully employed," and of these only about 13,000,000 are members of organized labor unions, leaving three times as many voiceless, voteless, without collective influence in bargaining with employers. In other words, collective bargaining functions for only about a quarter of the country's workers. Again, the obvious but significant point here is that the worker whether organized or unorganized does not employ himself but is employed by industry, and that to enjoy a stable, balanced economy their total joint production must be adjusted to the demands of total consumption. Too much production of particular commodities at a given time or place causes a glut, so-called "over-production," and loss to producers. Too little production or faulty distribution has the opposite result, with unemployment and lowering standards of living. Only through increased production and expanding business with resulting lower unit costs can labor get better wages, that is, more goods and services for a day's work. And the same principle applies to agriculture, industry and public treasuries. There is only one well, the total national income, from which can be drawn wages, profits, interest, dividends, taxes and public revenues. Productive enterprise feeds this well; orderly consumption under a steadily increasing standard of living keeps it from overflowing. This free flow of wealth and income from producer to consumer activates our whole system of free enterprise.

Under the compelling drive of war our productive capacity and our national income have doubled in three years, furnishing enough to support the mightiest military outlay in history and still leaving more than enough to supply all the necessities, most of the comforts, and many of the luxuries, of normal living. Aside from a few types of consumers' goods (new automobiles, homes, furnishings, etc.) we have lacked but little. Only those called upon to do the actual fighting and their families have had to make real sacrifices. Despite the strains and exactions of war we have "lived better" on the whole than ever before. We have earned more and, despite higher taxes and some increase in living costs, have saved more. We have paid off billions of mortgage, installment, and other debt. We have greatly increased our savings accounts, bank deposits, and insurance policies, and at the same time have carried every bond drive over the top. In these various ways we have accumulated an unparalleled buying power.

In this pent-up buying power of 135 million people and in the peacetime capacity of agriculture, industry, capital, and labor to maintain production at a high level lies the hope of sustained post-war employment. It is less than realistic to expect peacetime production and the national income to hold to the high levels reached in war, though some well-supported estimates maintain that the latter goal can be reached and held within a few years after peace comes. Other studies estimate a decline in the national income of from a half to a third. (The President's budget of last January assumed an annual post-war national income of $125 billion.) But whether it will be $100 billion or $200 billion will depend in large measure upon the encouragement, the incentive, for private enterprise to produce and distribute the goods and services needed to absorb this pent-up purchasing power of our own people and to meet the enormous and urgent needs of millions in other lands where a normal economy will have to be rebuilt from the ground up.

Industry which has made such a magnificent war production record can be depended upon to "throw all its weight" into post-war production and employment if given a fair chance to make a profit (or take a loss). For a decade before the war "big business" especially was subjected to restrictions, controls, Government competition, and burdensome taxation which greatly weakened this incentive and handicapped it in the fulfillment of its function and responsibility. This observation is not to suggest the abandonment of all Government regulation of business, or its withdrawal from active participation in the tremendous tasks of reconversion directly ahead. It is to urge that wherever possible and as soon as possible the Government get out of business and devote itself to its proper and essential function of insuring a fair field for competitive enterprise, and of umpiring the game.

Abrupt retirement of the Government from all its war-business activities would be very short-sighted and, perhaps, calamitous. The war has forced the Government to become a giant monopoly, buying and selling, borrowing, lend-leasing, producing, allocating, spending, and employing, setting prices, regulating our very "way of living". To cite a single example of Government control of war production, our $50 billion of pre-war privately-owned manufacturing plant and equipment has been increased by about $15 billion worth of Government-owned plant and equipment plus some $50 billion of stock piles of all sorts of supplies all over this country and in foreign lands. Visualized in terms of plant, machinery and materials the physical job of reconversion seems and is "gigantic".

To avoid the shock, loss, confusion, and price disturbances of an "auction sale" of these vast Government holdings and inventories liquidation must be gradual and orderly pending the time when business can take over safely and profitably. As Secretary of Commerce Jesse Jones has recently said: "This does not mean that business should look for the end of collaboration with Government in the post-war period. Private enterprise alone cannot meet the challenge of reconstruction at home and abroad and in many instances Government must have a hand in business." To the same effect the Baruch Report says: "Basic wartime controls must be retained as long as necessary, but all controls and the war agencies administering these controls should be liquidated when no longer necessary."

In blueprinting the considerations of first importance "in preparation for peace to follow victory," the Baruch Report emphasizes two main objectives: (1) "getting us all back to work in peacetime enterprises," and suggests a special authority "to give its entire attention to the problem of bringing jobs to all workers, with emphasis laid upon the returning service men and women who are our first concern," and (2) "taking the Government out of business," and offers a "Complete Kit" to meet the varying needs of war contracts while fully protecting the Government.

In recent meetings, panel discussions, periodicals, and public addresses executives of "big business" have expressed confidence in their ability to cope with the admittedly grave problems confronting industry in the transition period and after if they are assured that "atmosphere" of enterprise that is really free,—free from unnecessary choking restrictions and controls, free to compete under reasonable and clear-cut "rules of the game," free to seek venture and investment capital without undue red tape limitations. In general big business has been more completely converted to war production than have small businesses. Their reconversion to peacetime production, therefore, may be expected to require more time, more rearrangement of mechanical, plant, and distributive facilities, more financing, yet all of them while concentrating upon the one great job of finishing the war as quickly as possible are making plans for post-war developments. One large corporation has recently announced post-war plans involving the expenditure of half a billion dollars.

But what of the thousands of small businesses throughout the country,—the retail store, the service, repair, and specialty shops which could not get into war work and by the hundreds have had to close up shop because of lack of help or materials to fabricate or sell? These small businesses, ranging from the one man (or woman) grocery, repair, or service shop to the store or small manufacturing "works" employing a dozen to a hundred workers, outnumber big businesses many times and constitute the very heart of our industrial democracy. Dr. Beckman of Ohio State University has recently stated that of the 3 million business concerns before the war over 90% were small enterprises. Even in manufacturing 82% of all plants were single unit businesses employing less than 200 persons each. He thinks it quite possible that a half million small businesses may disappear as war casualties.

As a consequence of depressions and wars small business tends to become relatively smaller and big business larger. Both are essential to the preservation and strengthening of our American system of competitive enterprise. Moreover, "small business is essential to the maintenance of big business." For example, General Motors states that over 18,000 separate organizations supply them with parts and materials on a sub-contracting basis and 43% of them employed less than 100 workers each. Beckman cites facts which "challenge the contention that big business is relatively more efficient and that small business is inherently inefficient." Moreover, there are the "broader economic considerations of preserving the traditional American system of competitive capitalism, of protecting freedom of enterprise, and insuring 'ownership with responsibility'." He submits that even under present conditions small business does not need "crutches in the form of subsidies or special favors." What it does sorely need is "action to remove the principal institutional and artifical pressures which unfairly burden small business and which grossly discriminate against it."

Among other suggestions for protecting and stimulating small business Dr. Beckman proposes "effective machinery for enforcement of existing antitrust laws, including patent reforms; establishment of a Bureau of Small Business Research and Education; and protection of small business not only from large corporations but from Government itself, just as the farmer is protected by the Department of Agriculture, labor by the Department of Labor, and big business by several well-known governmental and private agencies; and alleviation of the capital stringencies facing small enterprise by providing the necessary sources of risk capital and long time credit, thus putting small business more on a par in that respect with its bigger rivals."

When after Pearl Harbor this country knew that we were actually "in the war" and that mass production of every kind of war equipment would have to be speeded up to unparalleled capacity, big business naturally was expected to do the major part of the job. How well it met, is still meeting that assignment the enemy now know. There could be no thought of an equitable allotment of war contracts but only of what concerns could turn out the imperatively needed equipment most quickly and in the largest volume. As war production got into high gear smaller businesses began to get a share of the work by means of sub-contracts and specialty products through the Smaller War Plants Corporation and otherwise. In post-war planning this all-important group must be given primary consideration and in many cases some financial aid to enable them to get back into normal business. Specifically, they should have first call upon materials, tools, and the like which will be released from Government stock piles and other reserves as soon as the war need permits.

Most of the reconversion programs and post-war plans, including those of the Government, recognize the necessity of restoring small business to its rightful place in our American system of free enterprise. Thus, the Baruch Report: "The particular problems of small business have been constantly in our mind. . . . As production controls are relaxed particular care should be taken to protect the competitive positions of small business (the broad backbone of enterprises scattered throughout the country which rely largely on the initiative and resourcefulness of their individual proprietors) as far as practicable within the needs of the war. Cancellation of war contracts can be guided to permit the earliest releasing of small concerns which can convert back to peacetime production." Legislative measures, such as the Murray bill, looking to the retention and expansion of the SWPC, would do much to effectuate this purpose and might well prove to be "one of the most important effects of the war on long-range American economy."

Finally, let it be reiterated that a high level of employment can be attained in the post-war period only through a high level of profitable production, and that this objective must be achieved if we are to avoid the dangers of inflation on one side and business depression with heavy unemployment on the other. Solution of the complex and difficult problems of the reconversion and post-war period will require the greatest business statesmanship in planning for the future and the greatest boldness in putting those plans into execution. Above all it will call for cooperation and coordination of the best thinking and planning and doing of which we as a free people under free enterprise are capable. As a leading industrialist has recently said:

> "We shall emerge from this war with the greatest productive capacity, the largest and best-trained labor force, and the greatest pent-up effective demand for goods and services in all history. Given a favorable 'atmosphere' in which free enterprise can function freely without competition by Government and unnecessary restrictions upon competitive business, the future expansion and prosperity of our system of free enterprise is boundless."

Yes, this can be "an adventure in prosperity," the greatest since the adoption of the Federal Constitution, provided industry, agriculture, labor, Government, and every community, every citizen in the land unite in an intelligent, coordinated effort to that end and work for its accomplishment.

Meantime, let us get on with our immediate job of winning the war.

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Dr. Holdsworth's teaching, writing, lecturing and research are backed by practical experience. For five years he was Vice-President of The Bank of Pittsburgh, N. A., where he organized and operated the foreign relations (foreign trade and foreign exchange) department; and was President of the Pennsylvania Joint Stock Land Bank.

Post-War Outlook For Securities

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reduced more than slightly, and if the corporate excess profits tax is eliminated. The deficit, however, would probably not be very large. Congress will have to decide whether the present tax rates can be reduced to any considerable extent if the budget cannot be balanced. Every effort will undoubtedly be made to encourage private industry, including all possible corporate tax reduction. This problem of the Federal budget and the post-war structure is, indeed, a serious one. Furthermore, it is likely to be complicated by other considerations.

The government will probably be forced to make efforts to maintain business at a higher level than the prevailing economic forces seem likely to provide. On the basis of my estimates the volume of production might run between the 1940 and 1941 levels. Civilian non-agricultural employment in those years averaged just under 39 millions with an average work week in manufacturing of just over 39 hours. After the war we will certainly employ several million fewer people at this level of production because of improved methods of operation throughout industry. Even including a military force of several million, civilian and military employment, excluding agriculture, will probably be less than 39 million.

Adding agricultural employment of 8 to 9 millions gives a total civilian and military employment of no more than 47 million and possibly less. The total labor force available for employment under peace conditions several years hence should be 56 to 58 million. Unemployment may therefore be 10 million anyway.

It will, indeed, be difficult to get along with such unemployment without starting very large progams of additional Federal, State and local public works. Such public works will be largely financed by the Federal Government. The additional expenditures will probably run the budget up by several billion dollars to at least $25 billion. In that case the deficit would run so large that substantial tax reduction will be difficult to accomplish.

Under the circumstances, it remains questionable that corporate taxes will be as low as 40% in the post-war period. Some form of additional taxes to take the place of excess profits taxes may be evolved. On the other hand, a system of incentive taxation for corporations may be instituted which will encourage capital investments.

The government may be forced to go beyond public works to attempt to meet the problem of unemployment. The possible avenues of approach are many but they are difficult to visualize and discuss so far in advance. Much evidence is gathering that one of these avenues of approach may be huge government or government-guaranteed private credits to foreign countries for reconstruction. I believe that foreign markets will be important during the post-war period as one potential source of stimulating domestic business. The difficulty is to find a sufficient volume of imports without disturbing domestic industry. Also, the world market will be very competitive. Huge American credits could, of course, temporarily solve these problems. I have allowed for a very large increase in foreign trade from the pre-war level in making my post-war estimates, but not on a scale that may be possible under the stimulus of credits running into many billions of dollars.

The first requirement for a greatly enlarged foreign trade is assurance of a prolonged peace. This can only come about by close cooperation among the leading United Nations. Stability of exchanges and elimination of trade barriers are also indispensable. At the present time there is reason to believe that the international machinery and organization will be established that will insure peace and that will provide the foundation for an enormous revival in peacetime foreign trade in the post-war world. Future war and political developments may, of course, alter this prospect.

I shall not take the time to discuss other possible steps that may be taken by the government to stimulate business. It is evident enough that there may be many and varied demands for government funds beyond those that I have enumerated in compiling budget expenditures. This all leads to the same conclusion—do not take it for granted that the corporate tax rate of 40% is in the bag.

Earnings for Common Stocks

It is difficult to generalize about earnings for common stocks in the post-war period. It may be dangerous and misleading. I have indicated that we should enjoy a substantial expansion of business from pre-war levels while deferred demand is being filled even though business may not be nearly as good as some observers hope and believe. Profit margins will probably be lower than at the corresponding volume of business in the past and the corporate tax rates may exceed 40% although they will be substantially below the present rates.

I think there is a good chance that under these circumstances common stock earnings after taxes will at worst not be much lower than those of 1943 and at best possibly 20% higher. I will translate this into more specific terms. The Dow-Jones industrial average earnings were almost $10 per share in 1943. Post-war they should not be much lower at worst and they may be as high as $12 per share.

Dividend payments have been conservative during the war and corporate reserves are large. American industry will emerge from the war in a strong financial position. If earnings should rise, dividends may rise correspondingly more from the 1943 level. Also, dividends should drop less if earnings should be lower than I estimate. I see no reason to suppose that Dow-Jones dividends will be lower by any important amount in the post-war period than about $6 per share, the level of 1943.

The really important feature of the post-war common stock earnings will be the divergence between individual industries and companies. Some will show larger earnings than in 1943, others about the same, and some companies will show lower earnings. It is obvious that post-war economic and tax factors will affect individual corporations in varying ways. The outlook for the automobile companies, for example, is far more assured than the outlook for the steel and copper producers. The impact of the coming changes in the corporate tax structure will vary from company to company. Competitive conditions, Government policy and changes in cost and price relationships will differ between and within industries. Foreign markets will be more important to some companies than to others. The element of growth of individual companies into the post-war period is also of great importance.

Since the war started in Europe, our economy has been in a state of contstant flux. There is every reason to believe that the next few years, including the post-war period, will also be ones of great changes and economic adjustments which will result in a strong divergence between the experience among individual companies and industries. I am stressing this because normally in peacetime earnings and dividends in most industries tend to move with fair uniformity as economic conditions change. That is not likely to prove true in the next few years.

Post-War Stock Prices

If earnings and dividends for common stocks as a group in the post-war period should be within a range moderately below and somewhat above those of 1943, chances are that common stock prices will be as high or somewhat higher than at the present time. This would be true if their rates of capitalization should improve moderately. Earnings and dividends are now being capitalized at rates that are neither very liberal nor very conservative. Some improvement post-war could therefore easily take place. It is true that in the world that I have outlined there will be many difficult problems. The Government will be an important factor to be reckoned with and some of our pre-war problems will reappear in a modified form and under different conditions. I hope and believe that it will be possible to arrive at a favorable working relationship between government, industry and labor. We have a good chance of creating harmonious relations between them under the conditions that will prevail. If that is done, most of our post-war problems could be solved without too much friction. As already mentioned, world conditions could be far more favorable than in the pre-war years if we take advantage of the opportunity that is offered to really establish the basis for a lasting peace.

Unless we handle ourselves badly, therefore, I believe investors' confidence in the future will be sufficient to give us a level of stock prices at least as high and probably somewhat higher than present prices. This conclusion may not square with some very high projections I have heard. You can see that it is difficult for me to accept some of the underlying assumptions necessary to obtain these very high projections.

The divergence in the rates of capitalization of earnings and dividends that has prevailed during the war will probably continue into the post-war period. This divergence has been even more marked than that of earnings and dividends among industrial companies. The result is likely to be a great divergence in the action of individual issues.

As an investment counselor, therefore, I take a constructive point of view towards the post-war level of common stocks on a highly selective basis. If this is too conservative a position, I shall be happily surprised and my clients handsomely rewarded.

Post-War High Grade Bond Prices

From the discussion so far it is apparent that I believe money will continue cheap. There appears to be no reason to fear higher bond yields after the war or to fear that price inflation will depress high grade bonds. It is quite possible that interest rates will be lower. The ending of the war will re-establish certain economic forces that tended to increase our monetary reserves in the pre-war period. Among these I will mention two of importance. The large gold and dollar balances accumulated here by foreign nations will probably be used for purchases here of much-needed goods. This will add to our gold reserves. We will also again take gold in payment for our exports. Secondly, money will return from circulation after the war which will also augment our banking reserves.

Any conceivable increase in bank loans should not be large enough to necessitate heavy liquidation of bank holdings of bonds. Much has been said about the possibility of large-scale liquidation of savings bonds having a depressing effect upon bond prices. The government has many ways of meeting this problem if it should occur but chances are that this problem will not become a serious one. There will, of course, be liquidation of savings bonds, but the government should be able to finance such requirements for funds without much difficulty under the conditions that I visualize.

I therefore expect high grade bond prices to remain high in the post-war period.

Mutual Funds

(Continued from page 2153)

dustry on a greater scale than ever before. Careful selection is a requisite for successful long-term investment."

* * *

Considerable encouragement for investors holding common stocks is to be found in the current issue of **Brevits.** As "Next on the Program," it is pointed out that simplification and revision of the Federal corporate tax structure should take place. With passage of the individual tax simplification bill by the House, investors have reason to hope that before long a way will be found to eliminate present inequities in our corporate tax structure.

* * *

The mid-May issue of **The New York Letter**, published by **Hugh W. Long & Co.**, summarizes the "Anti-Inflation Bulletin" recently issued by the Life Insurance Companies of America, in which a group of the nation's leading economists scan the post-war outlook. **These economists are in substantial agreement on the likelihood of a post-war boom.**

* * *

Calling attention to "London Leadership" in the stock market during recent years, **Lord, Abbett** points out in the current issue of **Abstracts** that the New York market is substantially behind London, making allowances for the two-year price lag here. States the bulletin: "Our prices, from the middle of this year to the middle of 1945, if the London pattern is followed, will rise from 136 to 162 on the Dow-Jones Industrial Average, and advance further in the third quarter next year."

* * *

Boston Fund reports total net assets of $11,863,738 on April 31, 1944, as compared with $10,333,881 a year earlier. During this period net asset value per share rose from $15.74 to $16.49.

Mutual Fund Literature

Calvin Bullock—The May 15 issue of **Perspective,** discussing "Trends in Utility Regulation." . . . **Distributors Group**—A Current Information Letter and a revised folder on **Institutional Bond Shares** together with a portfolio sheet showing present holdings of that fund. . . . **National Securities & Research Corp.**—Revised folders on **National Bond Series** and **National Low-Priced Bond Series.** Also suggested letters for dealer mailings on these two series. . . . **Selected Investments Co.**—A current portfolio on **Selected American Shares** and the current issue of "These Things Seemed Important." . . . **Broad Street Sales Corp.**—Current issue of **The Broad Street Letter** and a study of "Doubled-Barreled Potentialities of Growth Stocks."

After The War—What?

(Continued from page 2138)

Most Americans need five kinds of material things—the Big Five, I sometimes call them: Plenty of nourishing food, a decent house, adequate clothing, competent medical care, and education, at least through high school.

Have we the manpower, the know-how, and the industrial plant to provide the Big Five for every American? We have, indeed. We had enough before the war. After the war we are going to have more than enough. Think of that 20 billion dollars' worth of new industrial plant we are building now, both public and private—synthetic rubber, aluminum, steel. . . . We have stepped up our manufacturing capacity somewhere between 35 and 50%.

In this year, 1944, we are going to produce almost as much in the way of civilian goods as we did in 1939. We won't consume quite as much because of Lend-Lease, but we will produce about as much. On **top of that**, if you please, we are going to produce as much more in the way of war goods, tanks, ships and guns. That means that we can **double** the 1939 standard of living any time we care to. In financial terms, it means an increase in the National Income from around $80 billions to $160 billions.

The "Big Five," as you all know, do not come out of a hat. They come out of our labor, yours and mine. Work for everyone who can work probably will be the strongest demand there is after the war. Let your imagination rest for a moment upon those 12 million lean, hard fighting men of ours completely uninterested in selling lemons, watermelons, apples, or any other fruit on street corners. I have been to Fort Hamilton, "G. I. bull sessions," and talked to the boys just before they were to go overseas, and I think I can make that statement emphatically.

Full employment isn't just a job. It is the feeling that you belong, that you have a place, that your work amounts to something. When children are shut up with nothing to do for any length of time, as any mother knows, they are quite likely to start pulling the house down. And when grown men and women are long deprived of any useful work for hands and brains, they are quite likely to start pulling down the social order in which they live. Hitler came to power when one man out of three in Germany was unemployed.

Quite apart from the necessity of full employment and an expanding economy for our own country, there is the effect on the world at large. "If you fall into a deep depression after the war," a noted Englishman told me, "you will drag the whole world down with you." I think you will agree with me that he is right—so great is our economic leverage.

When the war ends there will be at least 65 million Americans at work or in the armed services. The Federal government, spending $100 billions a year, will be meeting the payrolls, directly or indirectly, of around 70% of everyone employed. That means if Government orders stopped cold on the morning after Demobilization Day, theoretically 45 million Americans would be without work. Nothing so extreme as this will happen, of course; but it gives us a measure of how far the American community at the present time is deliberately underwriting its own employment, quite outside the normal course of supply and demand. It gives us a measure of the task of reconversion that lies before us, to shift 60% to 70% of all economic activity from war to peace.

We believe that private business sooner or later will have a place for most of those demobilized; but if economic history has anything to tell us, it tells us that it will not have a place for all of those demobilized, especially before factory re-tooling is completed.

It isn't a matter, however, of finding 65 million jobs—say, 55 to 60 million. I think Mr. Paul Hoffman's estimate of 57 million is approximately correct. Many in the armed services will go back to school. Many women will go back to their homes—but some will be damned if they do! Full employment furthermore does not mean everybody on the job on Monday morning. There will always be 2 or 3 million in the ranks of the frictionally unemployed. If you want to use the term "high" employment, that is all right, too.

Private business men, as a matter of fact, have never employed all of our people. There have always been considerable numbers in the Government, and in the non-profit groups, including many in the ranks of the self-employed, the cooperatives, the churches, clubs, foundations, the colleges.

For the twelve years from the stock market crash in 1929 to Pearl Harbor, private business, plus the government, plus these non-profit enterprises, all three combined, fell short of providing full employment by 100 million man-years of labor. The labor lost during that grim period would probably pay for the war. The worst unemployment came when private business was almost completely unhampered from 1930 to 1933. So it is dangerous to believe that private business can automatically employ 57 millions after demobilization day.

What will be the shape of American economy on demobilization day? A few months ago, nearly everybody was prophesying a great boom to come out of these tremendous banked up savings. Now the pointer seems to be swinging toward a great depression. The Post-war Division of the Bureau of Labor Statistics warns that 12 million will be unemployed a few months after demobilization day, if no adequate plans are laid. The stock market, of course, is an eloquent index of deflation. Every time Hitler was driven back in the Russian campaign, the stock market had a sinking spell. People were afraid of what will happen to the earnings when peace came. "Peace scares" was the Wall Street term. The Governor of Michigan is reported as saying: "Michigan will be confronted with the worst unemployment in its history when automobile and aircraft industries change to peacetime operation." Mayor LaGuardia is afraid there will be a million unemployed swarming around New York City. A writer in "Fortune" went so far as to say that Repubicans might let Mr. Roosevelt win next election without much of a fight, so that he, and not GOP, would have the onus of coming terrible depression upon his shoulders!

I never took much stock in the great automatic boom theory, and am equally unimpressed by great Republican strategy theory. I doubt if anyone knows how many unemployed there will be when the war ends. No one really knows when the war is going to end, for that matter, or how long it will take to knock out Japan after Germany is knocked out. It would be one on military experts if Japan should be knocked out first! It wouldn't be the first one on military experts though.

In trying to construct a picture of the post-war employment, I have prepared a rough balance sheet of pluses and minuses. As your Chairman has said, I am a C.P.A. — Massachusetts and New York. My mind runs naturally to balance sheets. Here are some of the pluses, assets, if you want to call them that—conditions which should **aid** employment when the war ends.

1. The pent-up demand of consumers for goods, especially durable goods. We must remember however that demand will not be cumulative. Supposing you were in the habit of buying a new car every year; supposing the war lasts five years. Would you then buy five cars? There is another thing that our friends in Detroit should have been a little more careful about. Some of their designers, in Time, Fortune, and other magazines, gave us pictures of a beautiful post-war car, engine in the rear, plastic top, sixty miles to a gallon, $300. Boy! And then they said, "No, you can't have that dream car, you will have to make your 1942 Model do." If I cannot get one of these beautiful "tear-drop" jobs I am going to make my present car do. Perhaps a great many other Americans are going to feel like that.

2. There will be a widespread demand for housing after the war, and for deferred public works and maintenance generally.

3. The vast savings in the hands of people on D Day. Somewhere around 60 billion dollars is the present estimate for cash and War Bonds.

4. There will be quantities of new materials available—plastics, synthetics, light metal products and the like, to stimulate markets.

5. There will be the demand from abroad for food and supplies. That will help employment, though it may only be an emergency demand of limited duration.

6. The return of many women to their homes will take pressure off the labor market.

7. The reduction of hours from 50 a week to 40 will help employment.

8. Insofar as the armed forces exert a political demand for jobs as they will be likely to do through their organizations, that will put the heat on Congress and help employment.

9. If the policing of vanquished nations is necessary, that will keep men in the army and in the war industries and help employment. Also if we have a post-war program of universal military training that will keep young men from entering the labor market until later.

So much for the assets.

Now, let us look over on the other side of the balance sheet and examine the liabilities—conditions which are likely to **depress** post-war employment:

1. A wholesale cancellation of war contracts in a bungling fashion, as you know better than I do, will create unemployment. Mr. Baruch has laid down certain principles which seem to be admirable for handling that situation.

2. The dumping of surplus stocks bankrupted a lot of firms in 1918, and can do it again, unless released in an orderly fashion.

3. Mass discharges of workers from the war boom industries, like shipbuilding, machine tools, aircraft, are bound to create unemployment. Take the aircraft complex alone. I say "complex" rather than "industry," because complex involves all activity connected with aircraft, the making of planes, ground crews, bases, training pilots, everything. The complex this year is going to account for some $30 billions. That is not far from our entire national income in 1932, which was $40 billion. It must mean, directly or indirectly, at least 10 million workers. Now, is there any way we can absorb 10 million workers in the aircraft complex after the war? Of course there isn't. On the day Pearl Harbor was attacked, we had less than 400 transports for all our commercial needs.

4. Then, there will be 10 million soldiers coming back on the market. They are off the market now, in the fox-holes and camps.

5. There will be the emergency workers in government services who will have no place to go when the war ends. Some people will say, "Well, good riddance,"—but even a bureaucrat must eat. There are said to be 1,600,000 of them, and many are your friends and mine.

6. Then there is the retooling period in various industries, when no goods are made for people to buy, and only a few skilled machinists are needed in the factories for the retooling job itself. Take a look at the chart of Business Activity during the 1920's. In 1927, we find a little dip. Why? Ford changed over from Model-T to Model-A, and he created a minor depression.

7. A very important liability is the increase in mechanical efficiency, requiring fewer workers per unit of output. The cost of a medium bomber, for instance, has been cut from 70,000 man-hours, to 13,000 and is still going down. The last war, as you know, put mass production on the map. This war is carrying it to heights undreamed of.

8. In the international field there will be all kinds of uncertainties. What is going to happen to Lend-Lease? What is Russia going to do? What is Britain going to do? This will not make for employment in the export industries.

9. Finally there is the psychological factor — the fear which may seize war-boom towns like Detroit, Seattle, Bridgeport. I live only 20 miles from Bridgeport, and the other day Remington Arms found they had piled up enough small arms to last for ten years, and five thousand people went out on the street. Some of them I know. They were scared.

You see, if people believe there is a **plan** which they can trust; if industry, government and labor together work out a plan for full employment, people would not mind a period of temporary unemployment. They will spend their savings. But if people are **afraid**, the fear of depression can bring a depression.

Where the balance will lie, nobody can know exactly, but these lists of pluses and minuses do not warrant any too much optimism about allowing nature to take her course.

We must plan now. We mustn't let people become afraid.

It is a task of timing. If our timing is wrong, then we can get into a dreadful downswing, as we did after the stock market crash —only worse. As Chester Bowles has said: "If we permit the economy to sag immediately after the war we face a tailspin. We face the menace of deflation feeding on itself, with no one knowing how fast the economy will fall, or how far. It seems to me imperative that we must not permit this to happen.

Assuming full employment **is** the aim of our National Policy, theoretically there are four ways to achieve it:

First, by a completely rationed economy, in which citizens are assigned to work, as in the Army, and then go to the mess hall and get their supplies. Money isn't used at all. If you don't like strawberries, you've got to eat 'em, just the same.

Second, by completely socialized economy, where the State owns most of the industrial and agricultural plant and appoints managers to operate it. Money is used, consumeers have some free choices. Perhaps you can get blueberries instead of strawberries. But the Government runs nearly everything, and free enterprise just about disappears.

Thirdly, be compensatory economy, where business men largely own and operate the means of production, but where Government underwrites full employment through the control of financial machinery, through social security measures, and public works.

Fourthly, by free competitive economy, where savings are so promptly invested that the dollar circuit is always closed, and plant and labor resources fully used. In this society the Government acts as umpire only.

Of these four theoretical societies, all but the first, have been applied to some extent in practice. No national economy to my knowledge has operated under total rationing, but Russia was close to being completely socialized in the 1930's, and she did have full employment. We know she is going to have it after this war.

The fourth method—a smoothly running competitive system—was approached by some countries for certain periods during the nineteenth century, but for the last generation every nation on earth has been getting farther away from it. It is unworkable if opportunities for investment fail to keep pace with our national savings. It is unworkable if prices are taken out of the free market to be administered or fixed in a big way by corporate groups, monopolies, trade associations, farm blocs or labor unions.

Today the chances for the complete reestablishment of free competition look about as good as for reestablishment of the high-wheeled bicycle. As Walter Lippman has said, "Competition has survived only where men were unable to abolish it." About 50% of all U. S. goods have been taken out of the free market at some point or other in their flow from natural resource to ultimate consumer.

As for rationed and socialized economies, such proposals are highly unpopular with the American people. They might give us groceries, but we would lose our Bill of Rights. They have been rejected by large majorities in poll after poll. Even larger majorities, however, have demanded full employment after the war. If full employment is long denied, their opposition to more radical proposals may presently weaken. People in mass, I have observed, are less interested in economic theory than in results. They prefer bread and work, whatever the theory, to no bread and no jobs on most exalted ideological grounds.

A compensatory economy, method No. 3, offers a compromise between free enterprise and State regulation. The State is a kind of a banker under this system, not a producer, not a distributor.

Fortune magazine, in its famous supplement of December, 1942, develops the thesis that the choice is no longer between free competition and more or less rigorous forms of State control, but between the State as financial underwriter and State as production manager. With the State as underwriter, says Fortune, large areas of free enterprise can be maintained and perhaps expanded over what we had before the war. Fortune then goes on to outline a compensatory economy.

Advocates of such an economy define it by these three basic principles:

First, encourage business men to carry the maximum possible load production and distribution so long as output is sound, in demand, and able to pay its way. The free market should be expanded to practicable limit, using incentive taxation and other encouragements. We have tended to use the reverse policy—discouragement, in recent years. We have made it more difficult for the business man to take a chance in the hope of a profitable venture. We have thrown obstacles in his way. As Geoffry Crowther, Editor of the London Economist, says: "The business man's risks have been increased by the great load of prior charges put upon him in the way of rigid wage rates and the like, while his incentive to take these risks has been dulled by all manner of inspectors, controls, regulations, inquisitions, prohibitions and indictments." The approach has been negative when it hasn't been punitive. The compensatory economy idea is to make the approach positive, encourage production and encourage employment.

The second principle is that the Federal Government, in cooperation with local governments and local groups, undertakes to fill any serious gaps in employment left vacant by ordinary business activity. Hence, the term "compensatory." We might call it a "thermostat" economy. Say a research group in the universities counted the unemployed, and gave us a monthly figure on the 10th of the month. Say the danger mark was established at 3.5 million. Say on May 10, it was 2.7; on June 10, 3.1; on July 10, 3.6. . . . Pull the lever and let in your public works! It would be operated in a goldfish bowl.

Public works, I believe, should be locally administered as far as possible. Housing, slum clearance, parks, schools, urban redevelopments, the integration of transportation, conservation, come under this head. No more raking of leaves; pay standard wages, make the worker, especially the returning soldier, feel important.

The third plank in our program is that the Federal Government insures minimum standards of health and decency by the extension of social security to every citizen. The Beveridge Plan in Britain, and the Wagner bill here, indicate how this can be done. It also gives us a steady pull of purchasing power on which business men can count.

Ever since prosperity coyly refused to materialize from round the corner in 1930, the era has been a pretty bad one for economic prophecies. Do you remember how we were supposed to be in a death grip of inflation in 1935? Do you remember how a debt of $40 billion was going to lead us to pauper's grave? Forty billions — chicken feed! Tonight it is $185 billions. Do you remember the master minds who said that Germany couldn't afford to re-arm? Do you remember when it was almost universally agreed that we could not spend our way out of a depression? Well, $200 billions for war certainly took us out.

Despite this sad record, I am going to venture a prediction. I predict, as Mr. Drew Pearson is wont to say, I predict that in the next year or two everybody will be talking about incentive taxation, as loudly as they talked about the Ruml Plan last Spring. Incentive taxation, broadly speaking, as you Controllers already know, is a generalized name for any tax system which promotes investment in job-making enterprises; which encourages venture capital. Narrowly speaking, it is a specific tax plan invented by my neighbor Mr. C. William Hazelett, of Greenwich, Connecticut. He claims to have originated the term, and he believes incentive taxation will help achieve the first point in our compensatory economy program as mentioned before, namely, that business men carry the maximum possible load of production and distribution.

It is a method whereby the state, through its power of taxation, fold idle savings into the kind of investment which puts men to work. Most students now agree that idle dollars breed idle men. A rough way to remember it is that one idle dollar means one idle man-hour. Under Mr. Hazelett's plan, unless you keep your dollars moving at a certain rate per year, you will have the daylights taxed out of you. But if you do keep them moving, you don't pay any tax at all. That goes for corporations as well as for individuals. He would have it the **only** tax on corporations. I think there is a good deal to be said for it.

In the compensatory economy, as I picture it, the state is responsible for full employment and social security, guided and checked by the measuring-rod of a regular count of the unemployed. It relies heavily on taxation to keep the dollar circuit in active motion. Public works programs—with accent on local initiative and administration — are on file, ready for emergencies. as they are now in New York City. The community is also committed to permanent public works program in their own right and necessity as heretofore. The Government stands on the pivot of the economic see-saw. When the economy starts down, the Government throws its weight up, and when the economy starts up in a runaway inflation, the Government throws its weight down.

Now I am going to emphasize the most important thing I have to say tonight. A compensatory economy allows for **both** the profit incentive and the service incentive. In the war we have practically nothing but the service incentive.

"The democracies have been deadlocked for a generation," says Geoffry Crowther. "The business man has been constantly checked in trying to follow the profit incentive. But when the Government has tried to follow the service incentive, as in the depression, every step is taken to the accompaniment of charges ranging from corruption and dictatorship to red ruin!"

In this struggle neither side can win. We can just make the economy impotent. The right course is to take the brakes off both the profit incentive and the service incentive. This is what a compensatory economy tries to do.

Some people may object. They may quote Abraham Lincoln — "You can't have society half slave and half free." If this is true, the outlook for democracy is black indeed. There is no road back to using the profit incentive for everything. There is no possibility of using the service incentive for everything, without going 100% totalitarian.

This argument anyway, is verbal and academic. Sweden has used a middle-of-the-road economy for many years, where both the service and profit incentives are deliberately encouraged. Marquis Childs, of the St. Louis **Post-Dispatch**, has written a book entitled, "Sweden, the Middle Way," which demonstrates that beyond all peradventure. Walter Nash can tell you, as he has told me for hours at a time, how New Zealand has cultivated both incentives.

Day by day, hour by hour, the war is molding the post-war economic system. All of us are being conditioned in new habits, new behavior, new ways of looking at men, materials, money and debt.

If we do not develop some modern concepts for handling the national debt, for instance, it can get us into a great deal of trouble. If we try to handle it on strictly orthodox lines, the resulting depression might well lead to repudiation. Our economy is like a Flying Fortress, it can't suddenly stop without cracking up. It must maintain a national income of $150 billions, or it will crack up. If we try to handle the debt on a "live frugally" basis, then may the Lord have mercy on our souls. It will be unmanageable if the national income falls much below $150 billions. The British rule is that a debt which is not more than twice the national income, is manageable. We may well come out of the war with a $300 billion debt.

This compensatory economy is all very well, it may be objected, but where is the political pressure coming from to get what may be a conservative administration and a gun-shy Congress to sponsor any such program? I think the political pressure is coming from six directions;

From the men in the armed services.

From the war workers who must find new jobs.

From organized labor.

From farmers faced with prices falling head-long, as they did in 1920.

From organized business. The leaders of our great business organizations have said repeatedly that if we do not maintain a level of high employment after the war, our free enterprise system will be in great peril.

From the man on the street, who has not failed to notice when war spending started, unemployment presently vanished. He began to realize that unemployment was not something sent like the weather, but something man-made, something which could be controlled.

Never forget the war has taught us that what is physically possible is financially possible. We can build all the tanks we have the manpower and materials for. Money is secondary, as you all know. Many soldiers and many civilians are now asking why we cannot keep prosperous making houses for people to live in as well as by making tanks for people to die in. The honest answer is that we can. Disaster is not the only way to maintain full employment.

OUR REPORTER'S REPORT

New business reaching market this week, including the biggest municipal refunding in several years, served to keep underwriters and their dealer organizations busy for a change.

In the first place all three of the larger offerings were subject to competitive bidding so that as is usual in such circumstances a good part of the work was already done when the bonds reached market by way of public offering.

The major underwriting, embracing $56,000,000 of term and serial revenue bonds of the California Toll Bridge Authority and issued against the San Francisco-Oakland Bay Toll Bridge occasioned another merger of large banking syndicates.

Two groups originally were scheduled to compete for the issue but, presumably because of its size and the desire to assure its placement well in advance of the Treasury's Fifth War Loan Drive, these syndicates consolidated just before bid time and made a joint tender for the bonds.

The four large banking houses reoffered the bonds through a group of 232 associates. And, it was indicated in market circles, both the serials and the term bonds were moving out to investors in remarkably good fashion.

Competition Is Keen

There is no gainsaying the fact that competition is keen these days especially when the issue up for sale is of comfortable proportions such as that sold by the West Penn Power Co. on Tuesday.

Four groups were in the running when the company opened bids for its $12,500,000 of first mortgage 3% bonds and it developed that the tenders were surprisingly close.

Barely half a point separated the lowest bid from the tender which took the bonds. The winning syndicate paid 103.6499 while the lowest of the four bids was 103.1599. And sandwiched in between were two other bids one of 103.629 and the other 103.42.

With the succesful syndicate pricing the issue at 104½ for reoffering subject to approval of price and spread by the SEC, it was reported inquiry indicated a quick disposition of the bonds.

Virginia Electric Power 3s

Three bids were received on Monday for the Virginia Electric & Power Co.'s $23,000,000 of first mortgage 3%s, and here again the bidding was rather close, suggesting that investment bankers are really getting the feel of the auction game.

The top bid was 102.2999 while the lowest of the three was 101.7699, and judging from the comments of some of those who have the job of setting up the bids this business of carrying through to the fourth decimal is getting a trifle disconcerting.

Subject to SEC approval of price and spread the winning syndicate fixed a price of 103.25 for offering to the public with a good inquiry indicated.

There Should Be No Question

Here's one prospective offering emanating from the railroad field which should go to competitive bidding without necessity of having the Interstate Commerce Commission rule on the matter.

Alleghany Corp. has registered with the Securities and Exchange Commission for an issue of $30,000,000 of 3¼% secured convertible notes, due in 1954.

Proceeds, together with other funds will be applied to redemption of some $40,700,000 of the company's outstanding obligations.

Since backers of Alleghany are among the strongest advocates of competitive bidding for railroad securities this seems to be an open and shut case.

Too Many Cooks

In view of the trend of discussion in some investment banking quarters, it appears that selling groups may be somewhat smaller in size as time wears along.

Several recent incidents lead to the conclusion that the effort to set up widest possible groups does not always pay off.

For example two prospects dropped out of one syndicate early this week, rather than agree with the price views of the managers, thus making a bit of readjustment necessary at the last moment.

Brewster's Fighter Contract With Navy To Terminate July 1, Next

The Navy, on May 22, announced termination of its contract with the Brewster Aeronautical Corp. as part of an overall cutback in fighter plane production, according to Associated Press dispatches from Washington, D. C. The Navy said this reduction "in the immediate future" will be applied chiefly to the Corsair planes now being produced by Brewster with reduction in the production of Goodyear Aircraft Corp. and the Chance Vought division of United Aircraft Corp.

The Brewster contract for production of Corsairs will be terminated at Brewster's Long Island, N. Y., and Johnsville, Pa., plants effective July 1.

The Navy announcement said that in terminating the Brewster contract there "is no dissatisfaction" with either the recent management of the company by Henry Kaiser or with the new management which has just taken office.

"In view of the fact that the Brewster company is the smallest producer of Corsairs, has no additional Navy contract, or prospects of any, and further because of its higher production costs than either of the two other companies in this particular production field, it was selected to bear the major impact of this curtailment in the Navy's aircraft program," the announcement added.

The original contract with Brewster called for production of 1,500 Corsairs, the Navy said, and added it was estimated that by July 1 approximately one-half of the original contract would be completed.

The Navy estimated this cutback in the fighter plane program will make possible total savings of $180,000,000.

Preston Lockwood, the new President of the Brewster Aeronautical Corp., is credited with saying that the Navy Department's decision to terminate contracts for planes being built at the company's Long Island City, N. Y., and Johnsville, Pa., plants was "unjust to the company's 12,250 employees and nearly 3,000 stockholders."

The company was notified, said Mr. Lockwood, that the contract for the planes would be terminated. He added that while this action would make substantial layoffs at both plants inevitable, "the company is not going out of business." The company has encouraging prospects for new business, Mr. Lockwood declared, but he did not elaborate on that statement.

Both plants can be readily converted to shell production, according to William Fulton Kurtz, a director.

$23,000,000 Bonds Or Virginia Electric And Power Offered

An underwriting syndicate headed by Stone & Webster and Blodget, Inc. offered publicly May 24 $23,000,000 of first and refunding mortgage bonds series D 3% of the Virginia Electric and Power Co. at 103¼ and accrued interest.

The issuance of the bonds is part of a plan under which the Virginia Public Service Co. a unit in the Associated Gas and Electric Corp. system, is being merged into Virginia Electric and Power Co. Also under the plan, 289,491 shares of $5 preferred stock are being issued to present holders of preferred stocks in the two companies.

Net proceeds from the sale of the bonds, together with $9,000,000 to be derived from the sale of new notes, and other general funds, will be applied toward refinancing debt securities of Virginia Public Service which will be assumed by the merged company. It is planned to use these funds to redeem $26,000,000 of bonds and $10,500,000 of debentures and also to pay $2,012,296 to holders of Virginia Public Service 7% and 6% preferred stocks who convert their holdings into the new preferred stock.

Giving effect to the financing, the capitalization of the new consolidated company will consist of $37,500,000 of 3½s; $3,000,000 of 3⅛s and $23,000,000 of 3s, all first and refunding mortgage bonds; $9,000,000 in new notes; $6,020,000 in old bank loans; 289,491 shares of preferred stock and 2,938,445 shares of common stock.

Other members of the offering group are: Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Lazard Freres & Co.; Glore, Forgan & Co.; W. C. Langley & Co.; Shields & Co.; White, Weld & Co.; Harris, Hall & Co.; Lee Higginson Corp.; Coffin & Burr, Inc.; Estabrook & Co.; Hayden, Stone & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Paine, Webber, Jackson & Curtis; Tucker, Anthony & Co.; The Wisconsin Co.; Bosworth, Chanute, Loughridge & Co.; H. M. Byllesby & Co.; Scott & Stringfellow; Whiting, Weeks & Stubbs, Inc.; R. S. Dickson & Co.; Riter & Co.; C. F. Cassell & Co.; Davenport & Co.; Folger, Nolan & Co., Inc.; Mason-Hagan, Inc.; and Scott, Horner & Mason, Inc.

Interesting Growth Stock

Panhandle Eastern Pipe Line Company offers an interesting growth stock according to a detailed circular on the situation issued by Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York City. Copies of this comprehensive discussion may be had on request from Arnhold and S. Bleichroeder, Inc.

A National Policy To Attract Private Investment In Railroads

(Continued from page 2141)

It seems to be the common belief, shared by many railroad men, and even investors, that if we can reduce fixed charges everything on the railroads will be all right.

This view has been encouraged by the politicians. The drastic reductions in fixed debt required by the Interstate Commerce Commission in its reorganization plans, coupled with that body's continued pressure on other railroads to reduce debt, have done much to solidify the belief. It is true, of course, that failure to meet fixed charges has been the immediate precipitant of our epidemic of receiverships, but this failure is in fact the result of other factors which lie deeper.

Perhaps it is an evidence of colossal nerve on my part to go counter to such a preponderance of opinion. However, I propose to join my friend, Mr. Fairman Dick, who has so ably asserted the contrary view. That debt and fixed charges are the fundamental trouble with the railroads, I believe, is just as false as the economic theory that low production will provide more for all of us to divide. To deal with debt and fixed charges only is to deal more with the result than with the cause.

Naturally, you are going to ask me to prove my case. This I shall endeavor to do, and I shall rely in part on figures compiled by Mr. Dick for a portion of my proof.

Fifty years ago there was another epidemic of railroad receiverships. At that time some of the roads had outstanding issues of first mortgage bonds, which bonds are outstanding today. All during those receiverships interest was earned and paid on these bonds and they commanded high prices in the market in spite of the fact that the properties were in the bankruptcy courts.

Let us trace the record of the General Mortgage 4s of the Chicago, Rock Island & Pacific. They were outstanding in the 90's in the amount of $100,000,000, and the interest burden was $4,000,000. In 1894, the Rock Island had gross revenues of $21,000,000, and earned the interest on these bonds one and a half times over. Since then, the Rock Island has increased substantailly the size of its property, its gross revenues have multiplied several times, and it has been operated with more and more efficiency. With what result? In 1938, having gross revenues of $77,000,000, it failed to earn the $4,000,000 of interest which had been earned in every year until then. Since this mortgage was no larger, and the interest burden was the same, who can say that this debt was responsible for the receivership?

Let me repeat. This is only one of several examples of bonds which were good 50 years ago and which are being drastically pared today.

Figures taken from more recent years may throw more light on the subject. In 1929 and in 1942, the Erie Railroad had about the same volume of business. Gross revenues were larger in 1942 by $4,000,000, in round figures, and expenses were less by nearly $13,000,000. Here is a fine improvement, totaling $17,000,000, an amount larger than all fixed charges of the road before its recent reorganization and equal to nearly three times the present charges of the road. At this point we should be very happy with our showing. But the tax authorities then stepped in and increased their take over $13,000,000, an amount equal to all the savings which the management had contrived to make in 13 years. Surely, the size of the debt, either before or after reorganization, had nothing to do with this.

Turning now to the future, and again using the Erie, the management has constructed an income account on the assumption that after the war gross revenues may return to those of 1941, namely $106,845,000. With present wage costs and material prices, they figure that expenses will be $11,679,000 higher than they were in 1941. This is nearly twice the present fixed debt burden of the road.

The point I want to make in using the last two examples from the Erie is that these big swings in the income account take place before we deal with interest.

The truth of the matter is that in the last 50 years railroad debt has been a steadily declining percentage of railroad property values, and interest charges have absorbed a steadily declining portion of the gross revenues. If other factors had remained the same, railroad credit would now be at a higher level than ever before instead of being only recently at its lowest point in history.

We must look elsewhere for the real trouble, and national policy must focus on some other angle of the railroad financial picture if capital is to be attracted again to that industry.

The Real Cause of Lack of Credit

What then is the true cause of the current bad credit of the railroads?

Going back again 50 years in railroad financial history, we find that in the 90's the railroads were able to bring down into net income about 35 cents of the gross dollar. At that time, interest charges consumed over 30 cents. Obviously, this was too much. Many of the bond issues then outstanding had been issued to the full cost of the properties. A resort to the wringer was absolutely necessary. Perhaps it is because that was true then that we have jumped to the conclusion that the same is true now. But the trouble **now** lies in those elements before fixed charges.

Since the 90's, the percentage of gross carried to net railway operating income has steadily declined, and this decline has been particularly noticeable since the Interstate Commerce Commission was given control over rates in 1906. From 1900 to 1906, net averaged 31% of gross. In 1914, it was 22%. In the so-called boom period from 1921 to 1929, net averaged under 17%. And in 1932 and 1938, it was under 10%. These figures mean that never mind the growth in the railroads' gross business, in spite of continued increases in efficiency, and regardless of the billions of dollars poured into these properties, both from earnings and new capital, they have been able to save less and less of their income. No wonder the industry has lost its stability and its credit.

Finally, let us suppose that net railway operating income should become a red instead of a black figure. Suppose also that all debt were completely wiped out. Do you think that under such circumstances the investor would buy railroad stocks or the institutions lend them money?

I conclude, therefore, that a national policy which will attract capital must be directed toward the restoration of net railway operating income.

What To Do

Railway net operating income results largely from five factors—rates, wages, materials and supplies, depreciation, and taxes. Since the cost of materials and supplies cannot be controlled, I shall limit my discussion to the other four factors.

Rates

There is no question in my mind that railroad freight rates can be increased without the slightest impairment of our national economy. Freight rates in this country are among the lowest in the world. They have been higher than they now are without disturbing the economy. Other industries can, and do, even under the OPA, increase the prices of their products when their costs rise. Why not the railroads?

I have been much disturbed at hearing the theory put forward that the present war situation proves the value of traffic volume to the roads. True, volume is helpful. But an even more important lesson learned is that the heavy loading of cars reduces the cost per hundredweight. If, in order to attract volume, we experiment with lower rates, I would then expect to see all the railroads in the hands of the courts. However, I do think we can experiment with rates based upon some scale that will encourage heavy loading. Whatever we do, rates must be at a level which, either directly or through the encouragement of operating economies, increases net railway operating income.

The responsibility for rates lies primarily in the hands of the Interstate Commerce Commission. It is an unfortunate fact, however, that many of the rate reductions have been initiated by managements in their severe competition with each other. They must share with the Commission a large part of the responsibility for the plight in which they find themselves. Of course, as guardians of the public interest, it is not as easy politically for the Commission to protect the railroads against themselves in the matter of rate making as it is in debt reduction, but that does not reduce their responsibility to do so.

This proposal for higher rates will undoubtedly be met with the argument that competitive conditions will not permit them. I do not believe that this is so.

Let us look at the competitive situation for a moment. Pipe lines are so economical that the railroads cannot in any case compete with them. Instead, the railroads should encourage the pipe lines to use railroad rights of way and thus obtain at least some rent out of the oil that is moving. Trucks have taken quite a slice of the railroad tonnage, but in a great measure this was possible because the roads have permitted the trucks to take the high rate "cream" commodities. If the rates on these "cream" items, which constitute only a small percentage of railway ton-miles, were reduced, truck competition would be far less effective. And it is common knowledge that trucking costs have risen and that they are not as effective competition as they were some time ago.

Waterway competition is serious. It is made possible by a national policy which provides and maintains the right of way without cost to the user. In truth, the waterways are subsidized. National policy should take this burden from the shoulders of the taxpayer and put it on those who profit by it. That would make waterway competition more fair, and less difficult to meet. Such a policy would be sound national policy.

Airplane competition will grow. Surely it will be severe in its effect on the first class passenger business. It will be years, however, I believe, before it can seriously cut into the freight business, particularly if air freight competition is dealt with as the trucks should have been, that is, by lowering the rates on the light-loading, high-rate commodities.

Fear of competition, then, should not stand in the way of a freight rate structure which will bring adequate net railway operating income.

Passenger fares is another matter. In this category of the railway business, heavy loading of cars is so very important, and the competition of the privately owned automobile is so severe, that rates will probably have to be lower rather than higher.

But the sum total of both freight and passenger rates must be designed to provide adequate net railway operating income. It is my belief that rates should be based in some measure on costs and that they should be designed to bring into net an average over the years of not less than 20% of gross revenues. Otherwise, capital will not be attracted to the industry, and our national policy will inevitably be one involving government ownership.

This whole subject of competition requires analysis along another line, and this I will discuss shortly.

Wages

Wages constitute the largest single item of railroad expense. It may surprise you to know that the railroad wage bill in 1943 was approximately equal to the entire gross revenues of the carriers in 1938, and exceeded the year's total revenues of 1934 and 1935. The last two wage increases alone exceed all railroad fixed charges.

Inasmuch as efficient operation requires that a high type of man be attracted to the railroads, I would be the last to advocate low wages. On the other hand, there are some aspects of the wage situation that should be better known, particularly by the workers themselves.

The moment the daily wage rate is raised, it becomes profitable to make expenditures aimed at cost reduction, which expenditures could not be justified prior to the wage increase. This continued process brought about a decrease in railroad employment from 2,000,000 men in 1920 to 1,100,000 in 1941 when the ton-miles carried were very much larger. Over those years, 900,000 men lost their jobs. We hear much today of full employment after the war. Is it in the interest of the nation, or of the workers themselves, that this process be continued indefinitely?

The serious aspect of this situation, from the point of view of the investor, and from the point of view of the shipper as well, is that under the prevailing seniority rules it is the younger men who have had to turn elsewhere for work. **The railroad industry is becoming an industry of old men.** When one sees the youth which is making such a success of air transport, one cannot but be sad that more is not done to attract youth to the railroads.

National policy from every standpoint should encourage youth to enter the railroad business. Surely, youth will not be attracted to an industry that cannot earn adequately, for in such an industry there is little future to be seen.

Depreciation

One of the elements of cost is the bookkeeping item of depreciation, the laying aside of funds with which to restore expended capital. I have long believed that these reserves set aside by the railroads have been inadequate. In fact, I believe that many of the present railroad ills can be traced to this shortsighted policy. Until recently they set aside depreciation reserves only for equipment, none for structures. And those for equipment were ridiculously low. Equipment is being depreciated on the basis of a life of 25 to 30 years, although a modern locomotive is far more efficient and economical than one built only 15 years ago, and an engineering firm of high repute has esitmated that it is uneconomical to repair freight cars over 18 years old. Nor, in the face of the development of Diesel road engines and light-weight freight cars, is there any allowance for obsolescence.

The effect of inadequate depreciation reserves has been to overstate earnings, thus permitting pressure to be brought both for lower rates and for more wages; it has forced the raising of more new money than would otherwise have been necessary; but worst of all, it has meant retaining in operation old, inefficient motive power and cars which would otherwise have been replaced by new, modern tools. If any of our large industries had followed such a policy, they would have been forced out of business long ago.

It is extremely important, in my judgment, not only that national policy should provide for adequate net earnings but that such net income should be after providing for depreciation and obsolescence on a realistic basis.

Interest of the Shipper

At this point, I can imagine shippers saying, "All this is very well for the investor, but how can I be expected to pay rates that will bring such a result?"

My answer is that it is about time that the shipper, in his own interest, should look at the railroads as he does his own business and consider them not as parasites but as an essential element in his business, that is, the agency which takes his goods to market. The extraordinary advances which this country has made industrially have been due very largely to a constant reduction of costs permitting steady reductions in prices, and a widening of markets. This has been the result of the reinvestment of earnings. However, I wish most strongly to point out that the earnings were there before the cost and price reductions could be made.

It seems to me that the same policy, if adopted, will hold true for the transportation division of the national economy, and that there lies the surest way permanently to lower rates and obtain the utmost in transportation efficiency. First, allow the carriers to earn money. Let them, as they surely will, use a part of their earnings for improvements. As their costs come down, so also will rates. Allow them to keep some of the fruits of their investments and efficiency. Others do, why not the railroads? After all, if you would attract capital to the railroads, you must give it in that industry the same break it would get elsewhere.

Rates, too, could well be put on a business basis. In good times, prices rise. Then is the time to raise railroad rates. The national economy can stand it. Railroads could then, as others do, and as they are now doing, put something away for the inevitable rainy day. In bad times, rates should decline. The national economy needs that boost. This would be a far better policy than that of reducing rates when it is easy to carry them, and then raising them when the economy can least bear them, and usually too late to do the roads much good. Surely the method of dealing with railroad freight rates up to now has brought the result "too little and too late."

It is an unpleasant fact that while shippers generally work and plead for the restoration of free enterprise, they somehow just cannot bring themselves to apply the same principles to their own transportation agencies.

Taxes

The last element in the railroad cost picture, and a most important one, is taxes. Long they have been unfairly laid and the burden on the railroads has been excessive. A former county assessor once told me that as the people of the country swore off their taxes, the assessments were kept up by the mere transfer of the sworn off assessments to the local railroad. National policy as far as railroad taxes are concerned should be, in all fairness, to ask them to bear their share of the burden, but no more.

There are two other factors in the situation which can help restore investor confidence. I need to dwell on these briefly. One is the Interstate Commerce Commission policy on reorganization and the other is the national policy regarding competition.

Reorganizations

Over many years the investor has been involved in railroad receiverships which have resulted from unwise or foolish financial policies. The owners, or stockholders, have paid the price for their lack of wisdom. But those who loaned their money, the bondholders, have usually come out whole in the end. It is all different today.

Although the Interstate Commerce Commission itself has stated that fixed charges are not the root of the railroad problem, that body is forcing reductions of fixed charges, and total capitalizations, which are going to leave many bondholders with little or nothing, and no chance whatever of ultimate recovery. This is a serious blow to confidence in railroad securities generally. The Commission has apparently given no consideration whatever to the fact that in its own hands lies the power, and, under the law, the duty to increase rates and thus save many of these values now being destroyed. One is almost impelled to ask whether, having permitted the erosion of net income, the Commission might unconsciously by saving its face by now stressing the need for reduction of debt. Truly it is hard to understand what is now happening to many investors unless it be the confiscation of their properties in the interest of the shipper, labor, and the tax authorities. A prompt about face, to the extent that it is feasible, would be sound national policy if the railroads are to attract the large amounts of new money which they will surely need after the war. The least the Commission can do is to soft pedal its constant pressure on solvent railroads, including those just out of receivership, to retire debt. Not that I do not favor the retirement of debt, because I do. But constant Commission pressure on this subject is leading many away from sound thinking on the subject of raliroad credit.

Competition

Earlier I stated that I would like to discuss further the matter of competition. I do so again from the point of view of increasing net railway operating income. This time I approach it not from increasing gross revenues, but from reducing expenses. If the views here expressed should be adopted, not only would capital be attracted to the industry, but the shipper would have lower rates and more efficient service, railroad labor more permanent and steady work, and the government a more assured source of taxes.

Back in 1887, the Interstate Commerce Act was adopted in order to stop the destructive and wasteful competition that was then current. It seems to me now that unless we change our policy we shall again have competition which will be just as wasteful and just as destructive. The competition will be not between railroads, one with another—which is still wasteful enough—but between the several transportation industries, the railways, the trucks, the waterways, buses, and airplanes. Before such competition has run its course, all transportation industries are likely to be in financial difficulties, having in the meantime dissipated large sums of capital. We will have repeated the mistakes of 50 and 60 years ago.

Each of these industries has a special place in our transportation system. The airplane will almost surely carry the first class passenger, to whom speed is either desirable or important. Airplanes may well carry all the mail, a good part of the express, and some of the L.C.L.-railroad business. The truck has its definite place in short hauls. There is no competitor to the railroad in mass transportation, except the subsidized waterways, where speed is of no importance.

The shipper does not care how his goods travel, except that they move over the most efficient route at the lowest rates. The worker does not care who hands him his pay envelope so long as the pay is good. The government has a definite interest in having all earn enough to pay taxes. And the investor will always be wooed to an industry which makes money.

I am convinced that national policy should be directed to the formation of transportation systems equipped to haul passengers and freight by the most suitable and economical means available.

I would myself advocate regional monopolies under proper governmental regulation. Transportation is the only regulated public utility enterprise in the country which is not a monopoly. Under such regulated monopolies we have had constant reductions in electric rates, coupled with constantly improved service. We have practically a national monopoly in telephone communication, characterized by outstanding efficiency and service, steadily declining rates, and sufficient income to attract the investor, not only to its bonds but to its stock. Finally, within recent months the Congress has permitted the combination of the only two telegraph companies we had into one.

I am unable to see why the same principle should not be applied to the transportation industry with great advantage to the national economy, shippers, labor, the government, and the investor.

Conclusions

My conclusions are that a national policy which will attract capital must first of all contemplate adequate net earnings. The bugaboo of fixed charges should be put in its proper place, directed to those few roads which are unwisely financed, but not applied to the industry generally. The Congress should reaffirm the position it took in the Transportation Act of 1920, and again in 1940, and issue a mandate to the Interstate Commerce Commission to initiate and approve rates that will yield adequate net railway operating income under efficient and economical management. Labor should be asked to consider the effect on total employment of steadily increasing rates of pay. Surely it should abandon the old rules which base pay on the assumption that trains now move only 12½ miles per hour, and give a full day's work for a full day's pay. Management should do more to encourage youth to enter railroading for a career. Reserves for depreciation and obsolescence should be realistic. Taxes should be no more than are paid by other industries. Reorganizations should be speeded—and they can be, I know—and an attempt made to bring the bondholder out whole. Finally, the theory of competition should be modified in the light of our successful experience with regulated public utilities, to provide for regulated regional monopolies equipped to furnish any and all kinds of transportation.

Then we shall have the lowest cost, most efficient transportation system that can be devised.

Interesting Situation

Common stock of Federal Water & Gas offers an attractive situation, according to a memorandum issued by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa. Copies of this interesting memorandum may be had from Boenning & Co. upon request.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad Street, New York. Copies of this interesting study may be had from the firm upon request.

Halsey Stuart & Co. Offers West Penn Power Bonds

Halsey Stuart & Co., Inc., heads a group that is offering today (Thursday) $12,500,000 of West Penn Power Co. first mortgage bonds, series L, 3%, due May 1, 1974. The offering price is 104½, plus accrued interest. Net proceeds from the sale of the bonds, together with additional funds that may be required, will be used for the redemption of $12,500,000 principal amount of first mortgage gold bonds, series E, 5%, on Sept. 1, 1944, at 105% and accrued interest to the redemption date.

In addition to Halsey Stuart & Co., Inc., the offering group comprises: Bear, Stearns & Co.; Equitable Securities Corp; Otis & Co. (Inc.); Hornblower & Weeks; Stroud & Co., Inc.; Graham Parsons & Co.; Newton Abbe & Co.; Arthur Perry & Co., Inc.; First of Michigan Corp.; Gregory & Son, Inc.; R. L. Day & Co.; Schwabacher & Co.; A. E. Master & Co.; Thomas & Co.; Cohu & Torrey, and Minsch, Monell & Co.

Capitalization of the company as of Dec. 31, 1943, after giving effect to the present financing, consists of: $27,000,000 of series I 3½% bonds; $17,000,000 of series J 3¼s; $3,500,000 of series K 3s; the series L bonds; 297,077 shares of 4½% preferred stock, and 2,935,000 shares of common stock.

Consolidated operating revenues for 1943 were $29,855,344, and gross income, before interest and other income deductions, was $8,798,561. For 1942 the corresponding figures were $28,648,406 and $8,980,855, and for 1941 they were $27,288,267 and $8,170,825. Total annual interest requirements on all the first mortgage bonds to be outstanding, and after the redemption of the series E bonds, will be $1,977,500.

West Penn Power Co. is engaged in the production, distribution and sale of electric energy, and the territory it is authorized to serve covers 8,775 square miles in the general vicinity of Pittsburgh, with a population estimated at more than 1,100,000. The physical property of the company includes eight electric generating stations with an aggregate generating capacity of 481,475 kw., as rated by the company, the larger part of which has been installed since 1920.

The Business Man's Bookshelf

International Conciliation—May, 1944—Carnegie Endowment for International Peace, 405 West 117th Street, New York 27, N. Y.—single copies, 5¢; subscription price, 25¢ for one year.

Nazi War Finance and Banking—Otto Nathan—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50¢.

Postwar Employment Opportunities—National Industrial Conference Board, Inc., 247 Park Avenue, New York City—paper.

Report on the Work of the League, 1942-43—League of Nations Publication 1943.1—Columbia University Press, New York 27, N. Y.—paper—50¢.

World Economic Development—Eugene Staley—International Labour Office, 3480 University Street, Montreal, Canada (734 Jackson Place, Washington 6, D. C.)—board—$1.75.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of 50c per share on the Common Stock of the Company Both payable July 1, 1944 to Stockholders of Record at the close of business June 15, 1944. The stock record books will be closed for the purpose of transfer of stock at the close of business June 15, 1944 until July 1, 1944.

ROBERT B. BROWN, Treasurer.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a quarterly dividend of sixty-five cents (65c) per share on the common stock payable July 15, 1944, to all holders of record at the close of business on June 19, 1944.

SANFORD B. WHITE.

INTERNATIONAL SALT COMPANY
475 Fifth Avenue, New York 17, N. Y.

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable July 1, 1944, to stockholders of record at the close of business on June 15, 1944. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, Secretary.

Johns-Manville Corporation
DIVIDEND

The Board of Directors declared a dividend of 50c per share on the Common Stock payable June 9, 1944, to holders of record May 27, 1944.

ROGER HACKNEY, *Treasurer*

KANSAS CITY POWER & LIGHT COMPANY
First Preferred Series B — Dividend No. 70
Kansas City, Missouri — May 17, 1944

The regular quarterly dividend of $1.50 per share on the First Preferred, Series "B", Stock of the Kansas City Power & Light Company has been declared payable July 1, 1944, to stockholders of record at the close of business June 14, 1944.

All persons holding stock of the company are requested to transfer on or before June 14, 1944, such stock to the persons who are entitled to receive the dividends.

H. C. DAVIS, Assistant Secretary.

KENNECOTT COPPER CORPORATION
120 Broadway, New York 5, N. Y.

May 19, 1944.

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of twenty-five cents (25c) a share have today been declared by Kennecott Copper Corporation, payable on June 30, 1944 to stockholders of record at the close of business on June 2, 1944.

A. S. CHEROUNY, Secretary.

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)

The board of directors of Northern States Power Company (Wisconsin), at a meeting held on May 16, 1944, declared a dividend of one and one-quarter per cent (1¼%) per share on the Preferred Stock of the Company, payable by check June 1, 1944, to stockholders of record as of the close of business May 20, 1944, for the quarter ending May 31, 1944.

N. H. BUCKSTAFF, Treasurer.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share and an addtional dividend of 25 cents per share on the Company's capital stock, payable June 15, 1944, to stockholders of record at the close of business June 1, 1944.

H. F. J. KNOBLOCH, Treasurer.

THE YALE & TOWNE MFG. CO.

On May 23, 1944, a dividend No. 217 of fifteen cents (15c) per share was declared by the Board of Directors out of past earnings, payable July 1, 1944, to stockholders of record at the close of business June 9, 1944.

F. DUNNING, *Secretary.*

Nat'l City Of Cleveland Situation Attractive

National City Bank of Cleveland offers an interesting situation, according to a descriptive circular prepared by Merrill, Turben & Co., Union Commerce Building, Cleveland, Ohio, members of the Cleveland Stock Exchange. Copies of this interesting circular may be had from Merrill, Turben & Co. upon request.

Sugar Stock Attractive

Amalgamated Sugar Company offers attractive possibilities, according to a detailed financial analysis of the situation prepared by Edward L. Burton & Company. 160 South Main Street, Salt Lake City, Utah. Copies of this interesting study may be had from Edward L. Burton & Company upon request.

Attractive Situation

The current situations in Loft Candy Corp., Majestic Radio and Television, and Allen du Mont Laboratories offer attractive possibilities according to a memorandum issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

DIVIDEND NOTICES

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of this Corporation was declared payable June 15, 1944, to stockholders of record May 31, 1944.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
May 19, 1944

MAKERS OF PHILLIES

DU PONT E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *May 15, 1944*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable July 25, 1944, to stockholders of record at the close of business on July 10, 1944; also $1.25 a share, as the second "interim" dividend for 1944, on the outstanding Common Stock, payable June 14, 1944, to stockholders of record at the close of business on May 22, 1944.

W. F. RASKOB, *Secretary*

ELECTRIC BOAT ★ COMPANY ★
33 Pine Street, New York 5, N. Y.

The Board of Directors has this day declared a dividend of twenty-five cents per share and a special dividend of twenty-five cents per share on the Capital Stock of the Company, payable June 10, 1944 to stockholders of record at the close of business May 27, 1944.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer

May 18, 1944.

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

175th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 30, 1944, to stockholders of record at the close of business on June 9, 1944. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, May 19 1944

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 106

A QUARTERLY DIVIDEND of Fifty Cents ($.50) and an EXTRA DIVIDEND of Twenty-five cents ($.25) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Wednesday, June 21, 1944, to stockholders of record at three o'clock P.M., on Monday, May 29, 1944. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., May 18, 1944.

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1944, to stockholders of record at the close of business June 2, 1944.

ROBERT W. WHITE, Vice-President

Post-War Employment Opportunities And Problems

(Continued from page 2140)

fect in the lowering of union standards which have been built up in years of sacrifice and struggle. Closely related to this is the issue of discrimination in job opportunity, with the profound social effects of such discrimination. Unemployment following the war would mean the ushering in of a period of discrimination and bitter group feelings between all the component parts which then would compose our industrial society. Antagonisms and tensions would draw the line between returned servicemen and civilians, men and women, older workers and younger workers, native born and foreign born, skilled and unskilled. Principles of fair play, fraternity and equal opportunity, to which everyone, and trade unions above all, owe the deepest allegiance, will be at stake, with the outcome depending upon the existence or absence of complete job opportunity. I don't believe it is necessary to elaborate on that aspect any further. Your very presence here indicates your profound appreciation of the problem of job opportunities, and your earnest desire to find a solution.

To many, a solution, or a partial solution, is to be found in the development of new fields of endeavor — the aircraft, television, plastics, and other industries brought to the fore during the war. I am not one of those who put hope for the future in dreams of a sky spangled with helicopters, or highways covered with super-conveyances, with resulting full employment for all. To me the problem is a great deal more fundamental one, at least in terms of the maintenance of long-range full employment. I believe that our resources, existing plant facilities, managerial abilities, and skilled and unskilled labor energies, plus our unfilled demands, are sufficient in themselves and without the need for the development of new industries to insure adequate employment for all and a progressively higher standard of living, assuming certain conditions are met.

Before proceeding to a discussion of those conditions, I want to explain my position of what many may think should be the principal subject of discussion under the topic "Post-War Employment Opportunities"—namely, new vistas for industrial development or expansion. By thus dismissing the effect of the opening of new fields of economic development by a brief reference, I do not mean to minimize the importance of this aspect, or to imply that any opportunities for such development should be neglected. Development of new industrial fields is of particular importance in a period of transition such as we will go through following the coming of peace. Coming from the Pacific Coast, and particularly from the Pacific Northwest where I believe we have one of the new great frontiers for future industrial development, I should be the last to overlook the great contribution to the solution of the employment problem which can come through the development of such new fields as television, aircraft and many others. Nor do I overlook the fact that the inevitable role of this nation in building up a shattered world will play a very important part in solving the question of employment. It will be the capital goods of this country, made by the workers of this country, which will be used, in great part, to rebuild a broken Europe and a torn Asia: and it will be the food produced by our farmers which will supply vast millions of the world's homeless and destitute. It will be our consumer goods which will find markets in the newly awakened Orient and in India, and all of these goods will be carried in ships and planes again made and manned by American workers. I have the conviction that the growing development and importance of Alaska and future trade in the Orient will be a tremendous factor in the post-war employment situation in the Pacific Northwest. This war has awakened the West Coast to the possibility of its industrial development; it is not likely that the managerial ability and labor skill that have existed and been attracted to that area will be wasted in the post-war period.

I could go on enumerating the possibilities and openings for post-war employment indefinitely —a nation-wide need for adequate housing, for instance, in itself offers unlimited possibilities. Unfortunately, however, as has been proved many times in the past, the answer to unemployment is not to visualize vistas opened by the inventiveness of our scientists and engineers. The real problem is to make those employment **opportunities**, of which, as I have already said, we have no lack even without new industrial fields, **available as a practical matter and as a permanent matter** to those millions of persons who, with the end of war production and a cessation of hostilities, will be in need of employment.

To speak of job opportunities or to worry about new fields of employment in a country whose productive capacity is the greatest the world has ever seen, and the demands and needs of whose people are still far from filled, seems to me to be greatly anomalous. In the short space of three years, unity of effort has increased the total productive facilities of this county by one-half, and the total national income has been doubled. A record such as this calls for a revision of all former estimates of what is possible and desirable. It is now certain that our productive capacity can provide better homes, better food, more adequate clothing and medical care, finer communities, and richer educational and cultural opportunities for all. Certainly, there is not lack of demand for such improvements, and certainly, it would take the employment of every able-bodied individual to fulfill all such demands. To my mind, nothing could be more paradoxical than with the facilities available to produce an abundance for all, and with a labor supply sufficiently skilled and sufficiently energetic to achieve material welfare for all, there should be any problem of employment **opportunities.**

This war has conclusively shown that it is possible under the existing resources of this nation to maintain a gross national income of 165 billion dollars per year at 1939 prices; our economists tell us that such a national income is sufficient to maintain 55,000,000 jobs at 40 hours per week, at decent wage levels for employees and reasonable profits for employers. The working population after the war will approximate that 55,000,000. Accordingly, any solution of the employment problem must contemplate maintenance of national income at the 165 billion dollar level. Is this possible in time of peace?

The attainment of full employment, accompanied by the preservation of the democratic and civil rights of all concerned, is a much more difficult task in this country than it would be in a totalitarian system. It must be predicated on the principle of voluntarism, of a mutual give and take, with the emphasis on the give rather than on the take—on the part of industry, the giving of higher wages to make possible and effective the demand for the products of industry; on the part of labor, the giving of its fullest energies at all times so as to raise productivity to the highest possible level.

I have two specific proposals for maintaining full employment. The proposals fall into two classes. The first relates to immediate post-war conversion problems. The second involves proposals for the maintenance of full employment after conversion has been achieved and the returning soldiers and discharged war workers have been absorbed into the productive system.

To my mind, it is unthinkable that reconversion be attempted with any less active participation on the part of government in reconversion policies than has been necessary to create and maintain our war production; we will need to fight just as hard on the production front, and be willing to undergo the same sacrifices, to put free enterprise in full production for peacetime consumption as was necessary to supply our war demands. Industrial reconversion calls for orderly, coordinated, planned action under a single federal reconversion agency on which management and labor are fully represented. This agency is to have the same duty of guiding and assisting the nation in the problems of reconversion that the War Production Board, for instance, had in guiding and assisting the nation to meet the demands of the war effort. This public reconversion agency should be so constituted as to make the best use of the experiences and resources of all war agencies in assisting private enterprise to take over its responsibility for production in a war which makes for full and stable employment at fair wages. None but a public agency could undertake the termination of war contracts, the disposal of war inventories and surplus materials, and the reconversion of production facilities.

Since, in my opinion, some and perhaps a great amount of unemployment during the reconversion period is inevitable, I believe that the government should provide demobilization allowances for returning soldiers, and interim replacement benefits, plus training opportunities, for all in the labor market. Such allowances, however, should be recognized as purely provisional measures; the demobilized can have economic security only as they are employed in productive work.

Another interim program which it is plainly incumbent upon the government to initiate, and which will have the effect of occupying thousands who might otherwise be unemployed in the reconversion period is the providing of educational opportunities for returned service men — both for those whose schooling has been interrupted, and for those who never were able to start. The fact that a service man has become married during the war should be no bar to affording him a chance for education; government educational allowances should be sufficiently adequate to permit both the schooling of the service man and the maintenance of his family during the period of schooling.

A special feature of the reconversion program with which I am particularly concerned is the problem of reconversion of war plants designed solely to produce war materials or other products for which there will be no post-war need or demand, and where large populations have been assembled in otherwise remote areas who are entirely dependent on production at such plant for employment. The cost to private industry of reconverting such plants and facilities into peacetime production of a product for which there is or may be a demand would in most instances be prohibitive. Yet to fail to convert would make large segments of our country into distress areas. This problem is particularly acute on the West Coast where much of the ship and airplane building has been concentrated. It is my conviction that the social cost to the country as a whole of obtaining reconversion through government subsidies would be much less than the social loss if plants were allowed to remain idle, the area to become a distress one, and present expenditures on plant, equipment, housing and schools to be completely lost. Of course, the granting of necessary subsidies to free enterprise to convert plants such as Boeing and Douglas in my area, for instance, will have to be preceded by careful study and planning under the government, with the participation of all interested, to determine what to convert into, consistent with the best interests of the national economy.

As a further means of insuring employment during the reconversion period, a program of needed public works and services should be planned and made available whenever and wherever unemployment conditions occur. Surely, a small portion of the billions we found it necessary to spend unproductively in terms of social benefit in the present world conflict could be spent in making needed internal improvements, such as better roads and schools, if, thereby, employment to the returned soldier could be assured at least temporarily.

The improvement of existing highways and the building of a vast network of additional highways affords an excellent field for such public works. There are some 54,000 towns in this country with no access to railroads and many of them with very inadequate road transportation. If we are to bring to inhabitants of these towns the abundance which our economy can produce, it must be through a system of highways which will permit our trucking industry to extend its facilities to regions heretofore inaccessible to it.

The foregoing are proposals applicable to the immediate post-war reconversion period. My proposals for the maintenance of full employment and a high national income thereafter involve the same elements of cooperation between capital and labor that has been found necessary to maintain a high national income in time of war, together with somewhat the same element of cooperative planning for purposes of coordination, but without such planning being under the same degree of governmental direction and control.

The key to total employment is the maintenance in time of peace of the same 165 billion dollar gross national income which has been proven possible in time of war. The maintenance of such a national income will provide the assurance of an over-all 165 billion dollar market. Enterprising American business, if freed from inhibiting restraints, will provide the jobs necessary to produce the goods to fill the demands created by such a market. The payment of adequate wages and the assurance of reasonable profits will make effective these demands.

But these conditions will not come of themselves. What is required primarily is bold initial impulse, and thereafter reasonable assurance of continuation, plus a regulator to see that the demand for goods and services and their production do not get so far apart as to cause inflation or deflation. The initial purchasing power is now in the hands of our consumers as a result of savings and the high national income of the last few years. The potential effective demand is there also because of deferment of many types of purchases under wartime restrictions. All that is lacking is the initiative and the courage to provide the jobs to produce the goods to fulfill this potential demand.

This is the great challenge to industry of our post-war era; the initiative to create a prosperous future lies with it. Industry must have sufficient confidence in free enterprise to invest in and produce for a minimum 165 billion dollar peacetime free American economy. Paul G. Hoffman, Chairman of the Committee for Economic Development, said recently:

"In the final analysis, the question of whether we achieve an economy of abundance depends on whether we have courage and faith in ourselves. And faith in ourselves must mean a large measure of faith in one another—a faith justified by our works. With such courage and faith we can make ourselves strong to conquer the post-war economy number one—unemployment."

I would be less than a realist, however, if I expected that confidence and that enterprise to be entirely forthcoming on its own, without outside assistance and assurance, any more than the initiative and enterprise to produce the necessary war materials was forthcoming without outside impetus. Without that assistance, it is fairly certain that more businessmen will talk of enterprise, of taking risks, and of taking initiative, than will practice them. Until there is some assurance that the bottom will not drop out of the market, that industry will cooperate among itself and with labor, and that investments will be secure with prospects for continued success in busines ventures, there will not be the investment necessary to produce for a minimum 165 billion dollar economy.

The reconversion effort must, to a large extent, supply the necessary stimulus before that effort can be considered completed. If this stimulus calls for government subsidies and for widespread long-term loans to private industry, then subsidies and loans should be forthcoming. But the government cannot be expected to provide the whole impetus if free enterprise is to remain free. American initiative, confident in our free enterprise system, must produce great capital investment. If under the assurances of government support and the full cooperation of labor, full production is achieved, it devolves upon industry and upon the free enterprise system to maintain that production, with industry and labor working together to that end.

Two steps appear to me to be necessary to the maintaining of this necessary high national economy. The first step is the establishment of a government fiscal policy that will insure a 165 billion dollar gross income. This can be done in the following manner. We are able to make accurate quarterly estimates of national income and expenditures. Whenever national income tends to fall below the insured figure, government can make up the deficiency through expenditures on public works or through subsidies or through other means designed to stimulate, and not compete with or deter, private enterprise. On the other hand, if income seems to be outrunning possible production, government could take up the excess through appropriate taxation. There is nothing frightening about such a program. What it does is to provide an insured market for American industry at something near its capacity to produce at full employment levels.

The extent of government activity under this fiscal policy will be the measure of the deficiency of the confidence of business in the ability of a free enterprise system to provide full employment on the one hand, and its shortcomings in proper planning on the other hand. Such a fiscal policy is entirely consistent with lowering or the complete abolition of corporate and other taxes which curb the ability of business to make jobs. Nothing is so de-

signed to lower tax rates in general than a sustained high income at full employment levels.

The ability of free enterprise to produce and provide for full employment will measure the extent to which government intervenes or interferes in the affairs of either industry or labor. Labor wants no more government direction of its affairs than does industry; thus labor and industry have a further joint interest in maintaining full production and full employment through cooperative action. It is my hope that the extent of government intervention into the affairs of business and labor will be limited to the maintenance of the free enterprise system. If full production and full employment do obtain, it is my belief that the function of government should be limited to the prevention of monopolies as the principal deterrent to free enterprise. Monopolies have ever tended to restrict production, raise prices, concentrate wealth, and destroy the initiative which is the mainspring of our well-being. By monopoly I do not mean only the acquisition by capital of control of a particular industry; I include also the acquisition of control of competing branches or services in the same industry, such as acquisition in the transportation industry of trucking by railroads, or airplanes by trucking. It is important to the maintenance of our free enterprise system that neither the transportation industry nor the several of its branches nor any one branch be brought under single financial and capital control. The same is true of all industries. Government cannot play too strong a part in preventing such a possibility.

This does not mean that there should not be some attempt at coordination among industry in the total production necessary for total employment. A second step which, to my mind, is a necessary concomitant of the maintenance of a high national income and full employment is the establishment of some central coordinating agency on a national basis, composed of representatives of private industry, labor and the government, for the purpose of giving broad general direction to the production of goods and services. This coordination and guidance will be obtained by voluntary agreement among industry, by cooperation from labor, and by suggestions and advice from the government. The purpose of this central coordination is to diminish complete anarchy of production, to make available information which will permit intelligent and non-wasteful extension of facilities, to formulate general plans, and to apprise of conflicting plans.

The necessity for participation of labor in some such coordinating agency at the national level, as well as at the local level, through something akin to the present labor-management committees, canot be overstressed. One of the great lessons of this war has been the increase in productivity per worker, which, to my mind, was made possible by the effort labor was willing to expend when it was treated as a partner rather than as a raw material. It is indeed significant that the physical output of industry has increased 80% since 1939, while the number of persons employed has risen only 18%. The experience of such industrialists as the Kaiser Shipbuilding Company on the West Coast, and a great many other outstanding business organizations in America, of the results in increased production of an enlightened labor policy indicate conclusively what is possible when labor and management meet in a spirit of cooperation rather than hostility. The contribution to production made through the War Production Board Labor-Management Committees afford further proof of what can be expected. It is certain that to obtain the goal of a national income sufficient to provide jobs for all, the utmost cooperation between capital and labor is a first essential. Neither can do the job alone; each is entirely dependent on the other.

If the cost to industry of full employment is loss of chance for spectacular profits in specific instances, surely the goal is worth it, particularly when the maintenance of full employment conditions will insure a more steady flow and perhaps a greater sum total of profits. If the cost to labor is a willingness to forego excessive wage demands and to undergo other disabilities that were necessary during the war, I for one, and I know many like me, would be willing to pledge labor's full support if thereby the spectre most feared by labor—unemployment—were eliminated.

If industry and labor together do not assume responsibility for full employment, then government will have to. The people have tasted of the horn of plenty, know that an economy of abundance is possible. If it was worth the expenditure of many lives and billions of dollars to smash and destroy a distant enemy, it is worth the spending of billions to rehabilitate our fighting men and the men on the war production front, and put our economy on a basis to supply them and their families with jobs.

It may be thought by the pessimists that much of what I have said is idealistic, can never be fully achieved, and that we cannot expect economic and social well-being in the post-war world. That may be their view, but it can hardly be comforting to them to know that failure to achieve the goal I have described will be because of that very pessimism, because of refusing even to try to realize our potentialities. If the pessimists are right, it will be solely because defeatism, selfishness and intolerance have once again had their way. Even the most pessimistic cannot doubt the capacity of this nation to produce, and must acknowledge the genius of our management and the skill and energy of our workers. Properly coordinated, these factors proved more than sufficient during the last few years to give employment to all willing to work and to sustain a national income of at least 165 billion dollars. If in time of peace, as well as in time of war, we are willing to do whatever serves the common interests of all of the people of this country, it is entirely possible to make available as a practical matter the jobs for which opportunity was never lacking. Granted that it takes more vision than has previously been manifested, and more willingness to give rather than to take, still the alternatives of a failure to achieve what an awakened people know is possible are not pleasant to contemplate.

The world is at the crossroads, and the free enterprise system is about to face its greatest test. The success of that system, as the success of other systems with which it must compete, will be measured in terms of the abundance with which it is able to supply those who are dependent upon the system for their well-being. I have no doubt of the ability of our system to triumph over all others under this test. This means, however, that the abundance must be provided to all in this country and not just to certain geographical areas. Until all are provided with the standard of living and opportunities for educational and cultural advancement, our system shall not have met the test. It therefore behooves industry, in fact it is incumbent upon it, to go to the depressed areas of this country, there to make its investments, and there to raise living standards, so that this nation will indeed have equality for all, and so that no nation can point with deprecation to what our system has failed to provide.

In conclusion, I want to again emphasize that I am an advocate of our system of free enterprise. If that system is to be fully accepted, however, it must assume all of its responsibilities to the welfare of the common man. Free enterprise in a free government must demonstrate by actual performance that it can produce a finer standard of living than any other system of government has as yet devised. It must search the highways and byways of Amercia, and go into the backward as well as the forward communities. It must give to every child in this country the right to education and to full opportunity to make his fullest contribution to our social and economic world. Wherever local communities contend that cost prohibits these opportunities of education and development to young America, we must find a solution in the same degree as we are ready to contribute in time of war to national emergency and welfare. If we accept the full responsibility that evolves from free enterprise, and we do develop the fairest standard of living for the common people of this country, we need have no fear that our people will ever listen to other theories of production or government. We will have conclusively demonstrated, as we have demonstrated up to now, the finest government in terms of serving the interests of all of its people, comes from a free and voluntary cooperation of industry and labor. This is our biggest post-war opportunity.

Municipal News & Notes

A nation-wide banking group headed by Blyth & Co., Inc.; Mellon Securities Corp.; Harriman Ripley & Co., Inc., and Lehman Bros., and comprising 232 associates, made formal public offering yesterday of the new issue of $56,000,000 California Toll Bridge Authority, San Francisco-Oakland Bay Toll Bridge revenue bonds. Representing one of the largest refunding operations in many years, the issue was awarded to the group on Monday on a bid figuring a net interest cost to the authority of 1.96%. This was the only offer submitted, although two separate groups originally intended to compete for the issue. In order to facilitate rapid distribution of the bonds, the two accounts joined forces and the accepted tender was submitted on behalf of the combined syndicate. The wisdom of this action was immediately apparent in the large volume of bonds placed by the underwriters shortly after the initial offering.

In reoffering the issue to investors, the banking group priced the $20,000,000 1¾% sinking fund bonds of Sept. 1, 1962, at a price to yield 1.90%, and the balance of $36,000,000 serials, maturing semi-annually from Sept. 1, 1945 to Sept. 1, 1959, were scaled at yields ranging from 0.60% to 1.95%, according to interest rate and maturity. The serials include $10,975,000 3¾s, due from Sept. 1, 1945 to March 1, 1950, inclusive, and $25,025,000 2s maturing from Sept. 1, 1950 through Sept. 1, 1959. All of the $56,000,000 bonds are optionally callable.

The Toll Bridge Authority will employ the proceeds of the current issue, together with other available funds, in the redemption on March 1, 1945, of all of its then outstanding 4% bonds, currently totaling $57,070,000, and to the pay interest on the refundings from June 1, 1944 to March 1, next. The extremely favorable cost basis on which the Authority effected the refunding, and the heavy investment demand that prevailed for the new bonds, testified to the exceptionally fine record of operations achieved by the bridge since its inception. The project is considered one of the most successful revenue undertakings in the country.

Consumers Public Power District Issue Awaited

Although not quite the size of the California toll bridge issue, the forthcoming offering of $41,533,000 Consumers Public Power District refunding bonds is expected to attract no less attention by underwriters and dealers. Bids on this undertaking will be opened on May 31 and, according to present indications, at least two syndicates will participate in the bidding. Purpose of financing is to arrange for consolidation of the outstanding debts of a number of the district's operating divisions.

The Consumers District offering is the largest of the several issues of general market interest scheduled to develop in advance of the opening of the Fifth War Loan drive on June 12. Others include the $6,040,000 Chattanooga, Tenn., electric power revenue refundings for which offers will be considered on May 31. On June 7 Houston, Texas, will place $2,040,000 various municipal improvement bonds and Kanawha County, W. Va., will dispose of $3,000,000 airport bonds.

Personnel Items

(Special to The Financial Chronicle)

BOSTON, MASS.—**Joseph W. McGaragle** has become associated with **Amott, Baker & Co., Inc.**, 30 State Street. In the past Mr. McGaragle conducted his own investment business in Boston.

(Special to The Financial Chronicle)

BOSTON, MASS.—**William H. Goodwin** is now connected with **William H. Coburn & Co.**, 68 Devonshire Street. In the past he was with Elmer H. Bright & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Edward A. Gigelow** has joined the staff of **Donald B. Litchard**, 70 State Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Albert C. Day** is with **Trust Funds, Inc.**, 89 Broad Street.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Lawrence J. Gareau** has become associated with **Smith, Hague & Co.**, Penobscot Building. Mr. Gareau was previously with Watling, Lercher & Co. and Dominick & Dominick.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—**Stanley A. Kemmeter** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 710 North Water Street.

(Special to The Financial Chronicle)

ST. JOSEPH, MO.—**George H. Gee** is with **Atlas Investment Company**, 708 Francis Street.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Don E. Morrill**, formerly with Barrett Herrick & Co., is now connected with **Slayton and Company, Inc.**, 111 North Fourth Street.

(Special to The Financial Chronicle)

SPRINGFIELD, MASS.—**Robert P. Clark** has become associated with **Percy O. Dorr & Co., Inc.**, Third National Bank Building.

Assoc. Elec. Attractive

Recent developments are combining to give a "quality" rating to Associated Electric Co. debenture 4½s, due Jan. 1, 1953, and debenture 5s, due Jan. 1, 1961, according to a descriptive memorandum on the situation prepared by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of this interesting memorandum may be had from G. A. Saxton & Co. upon request.

Wire Bids on
VIRGINIA—WEST VIRGINIA
NORTH and SOUTH
CAROLINA
MUNICIPAL BONDS
F. W.
CRAIGIE & CO.
RICHMOND, VIRGINIA
Bell System Teletype: RH 83 & 84
Telephone 3-9137

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

Forms A. W. Porter & Co.

A. W. Porter & Co., a partnership, has been formed, with offices at 52 William Street, New York City. Partners are A. W. Porter, G. E. Porter, M. A. Seibert and N. A. Porter. Mr. Porter was formerly President of Porter Associates, Inc.

Attractive Situation

Western Light & Telephone common offers interesting possibilities, according to a memorandum being distributed by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

REDEMPTION NOTICE

TO THE TREASURER OF THE STATE OF TEXAS, AUSTIN, TEXAS, AND ALL OTHER INTERESTED PARTIES:

CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT, Nueces County, Texas, by order of its Board of Trustees, has called for redemption its following bonds:

$50,000.00 2¼% School Bonds dated July 15, 1939, and,
$92,000.00 3% School Bonds dated October 15, 1939,

the date of redemption being JULY 15, 1944.

IF BONDS ARE NOT PRESENTED for redemption on that date, at AMERICAN NATIONAL BANK, AUSTIN, TEXAS, they will cease to bear interest after such redemption date.

EXECUTED at Corpus Christi, Texas, this 17th day of May, 1944.

CORPUS CHRISTI BANK AND TRUST COMPANY
By C. D. JOHNS, Vice-President
Treasurer, Corpus Christi
Independent School District.

ATTEST:
W. P. PITTMAN,
Cashier and Secretary

FINANCIAL NOTICE

CITY OF MONTREAL

Notice of Payment of Interest Coupons

Notice is hereby given that under the provisions of Paragraph 11 of Article 4 of By-law No. 1735 (By-law providing for the financial reorganization of the City of Montreal) the City of Montreal intends to and will pay upon presentation as they severally become due the interest coupons maturing on and between May 15th 1944 and October 15th 1944 inclusive and annexed to the bonds and debentures of the City and annexed municipal corporations maturing on or after May 15th 1944.

Accordingly, the securities to be given in exchange by the City under the said By-law will bear interest only from the last interest payment date preceding October 16th 1944 of the old bonds and debentures to be replaced.

MONTREAL, May 10, 1944.

Director of Finance
L. ROBERGE

The Progress And Prospects Of Our Oil Industry

(Continued from page 2142)

only 85 years ago with a shallow well in Pennsylvania, and with lamp oil as its main product. It has kept pace with, and in great part made possible, the growth of motorized transportation and the airplane. Ever since gasoline in great volume became important, the industry has met the constantly growing demands, increased its underground inventory of raw material, paid better wages with shorter hours, continually improved its products, and lowered costs to the public.

Today, despite the failure of four out of five "wildcat wells," each of which may cost from $20,000 to $100,000, we go on exploring and drilling, finding new crude oil and gas fields, producing oil from two to three miles deep in the ground, advancing the science of finding, drilling and producing, reducing the cost of transportation, improving the technology of refining to get more valuable fractions from each barrel of crude oil and to make products thought impossible at times in the past. No industry is more competitive. There are thousands of aggressive companies and individuals engaged in it, and no one company (according to pre-war figures) sells quite 10% of the branded gasoline distributed to the public of the United States. The industry made possible the winning of the former World War. It is assuring victory in this war, which uses petroleum in quantities unimagined by Army and Navy men as little as three years ago, and which requires such variety and quality of products that our refineries and technicians have had to work miracles to produce them.

The record is one of marvelous achievement by private industry. Since the former war, we have quadrupled our crude oil producing capacity, found and put to use enormous volumes of gas, increased our yield of gasoline from a barrel of crude oil by 75%, built 100,000 miles of pipelines, not only quadrupled refinery capacity, but changed refinery technology to an amazing degree.

During the 23 years, 1919 through 1941, we drilled 551,676 wells in the United States, of which 136,381 were failures. In 1918, technical men of the industry estimated the crude oil of the United States, both "proved" and "to be discovered" at only 7,000,000,000 barrels, and the automobile industry feared that oil shortage would hamper its growth. Since then, our private oil industry has produced 23,000,000,000 barrels of oil and still has "proved" reserves of 20 billion barrels, while we continue to discover new fields.

The great network of highways and roads covering the United States was built by Federal and State governments largely out of special taxes levied on the use of automobiles and on the consumption of oil products. In the case of gasoline alone, the States were collecting taxes at the rate of $948,038,000 yearly in 1941.

Along these roads and highways, the oil industry has established the greatest distribution system in the world, so that in normal peace time, in America, known as "a nation on wheels," the motorist is rarely, if ever, out of reach of a service station where he is assured of fine products and exceptionally efficient service.

A business dealing with so vital a product, organized so efficiently and enjoying so rapid and constant an increase in consumption, might be expected, perhaps, to earn a great rate of profit and pay dividends at high percentages on the investment. On the contrary, the industry's profits, large in total dollars, have been small in relation to the investment, because the investment in dollars has grown great. It has been able to pay dividends to its stockholders at only modest rates. In the past 20 years, the industry's dividends have averaged only 4% on its net depreciated investment.

The world-wide progress of the American oil industry has been accomplished without government participation, but with some government encouragement. The record, with few exceptions, is a tribute to the sound relationship which has usually prevailed between the industry and the Government.

For exmaple, for over ten years, oil fields in some of our States have been operated on a conservation basis, administered through the various State commissions and coordinated through the Interstate Oil Compact Commission, with the approval of the Congress. This enables the industry to produce oil at what is known as the optimum rate — that production sufficient to meet market demand while avoiding waste in recovery. During the war, this cooperation has been extended through the Petroleum Administration for War, representing the Government, and the Petroleum Industry War Council, representing the industry—both working together to make this critical material efficiently available for war and essential civilian use. Of course, we all expect that the special regulations which appear to be needed in war time will be discontinued in peace time.

Outside the United States, the "Open Door" policy of our Department of State, although not completely successful with all countries, has helped American oil companies to compete in the development of oil areas in other parts of the world. Without threat of force, and without force ever being exercised, our nationals have been able to hold their own with foreign enterprises, whether private or governmental partnerships, even in those regious of the world designated as some other country's "sphere of influence." Recently there seems to have been an impression that our nationals have not done as well as others in getting foreign oil reserves. The truth is the contrary. We have done better than any other nation during the past 25 years.

With this amazingly successful history of the American oil industry, we ought first to examine the oil policies of the past when we think of possible change in policy. The results have been good. It is a natural presumption, therefore, that the past policies have been sound.

Recently, however, you may have heard much about the need for a drastic change in oil policy, which would increase government control to an extraordinary degree. We hear that our oil reserves are dwindling at an alarming rate; that we must look to other countries for sufficient oil for peace-time economy and for national defense; that this means the Federal Government must own and operate a corporation, chartered to engage abroad in all forms of oil activity—production, transportation, refining and marketing.

At home, we have heard intimations that Government should suppress the production rate of our oil fields to make room for large imports, so that this suppressed production will be there for emergency use — that proven developed oil fields might be condemned and locked up in Government ownership reserve as a national defense measure—that the Government and not private industry should try to develop oil on the public lands—that billions of barrels of crude oil should be stored by Government above or below ground, or that there should be equally costly storage of a huge volume of products.

If such ideas should be put into effect, the American private oil industry at home and abroad would be gradually throttled. A system of underground hoarding for emergency use would have to provide for a daily production rate of at least a million barrels for emergency (one-fourth of our present production). This would mean locking up proved and developed reserves of about seven billions of barrels, with all the necessary completed wells and field installations ready to produce immediately when called upon, if the reserve is to be of real value in the emergency.

The suppression of production at home would kill the spirit of venture necessary for discovering new reserves — the first and indispensable necessity for a live and growing oil industry. Such a restriction by Government would require a great number of Federal employees, exercising rigid control of the operation of nearly half a million oil wells. Another great number would be required to maintain in workable condition the wells and installations in those proven oil fields taken over and locked up by the Government and to drill up the partially developed fields as they are expropriated.

Storage above ground would be equally costly and impractical. For example, if the above ground storage should be adequate to provide an emergency supply of one million barrels a day for only three years, the total volume would amount to over a billion barrels. If stored as crude, this would cost, over a 20-year period, about four billion dollars, and if stored as products, it would cost over six and one-half billion dollars. This does not take into account the difficulties of transportation to assemble the storage nor the disturbance of normal business operation caused by taking such a volume out of the regular stream of commerce, nor the extra refinery capacity necessary to provide the products.

Aside from these cost factors, this locking up of a reserve supply, one way or another, would weaken or destroy incentive for the discovery or "wildcat" effort of small and large producers. When we remember that only one "wildcat" well out of every five is a producer, we may ask ourselves the question: who will be willing to face the loss of 80% of his venture for the sake of a dubious 20% success, when he faces, on the one hand, possible Government expropriation of his property at a low price before he can prove the real value of his discovery by additional drilling, and, on the other, the danger that the Government might release a flood of oil at any time upon the market, upsetting all the value which induced the explorer to run his great risk?

The way to provide for defense reserves of oil at home is not to set aside certain areas or fields for the Army and Navy to be drilled up and maintained in idleness between wars, at great public expense. Our national defense reserve at home will always comprise all the oil of the entire United States owned by all the citizens. The freer we are to find and develop oil, the greater these national defense reserves will be. A great emergency production is always available for war by producing fields for a time at a rate higher than the best engineering practice would dictate, plus some restriction of war-time civilian use. Locked up reserves mean decreasing reserves for the reasons previously given.

To this home defense reserve we can also add the fields geographically close to us in friendly nations in northern South America where oil discoveries are certain to increase, and also the fields of all the rest of the world to which we can have access with overseas transportation, protected by our military forces. In the Maracaibo Basin of Venezuela alone there are proved reserves of at least five billion barrels of crude oil which will be drawn on relatively slowly and which, by their nature, can be largely adapted to fuel for our Navy.

Today our well established position in the foreign field is threatened by the recently organized Government agency, the Petroleum Reserves Corporation, which, under its charter, has the power to put the Government in any oil activity of any kind abroad.

The entrance of this Government into other nations' territory as owner and operator of oil fields or transportation systems, in whole or in partnership, will create tension in the countries thus invaded and in all other producing or potentially producing countries, who would fear such foreign government invasion. It would raise again the cry of Yankee imperialism, which we have been at such pains to disavow, and would gain us nothing that could not be gained without such a policy.

The results of all this well-meant planning will insure the coming of the very disaster that the planners seek to avoid. Both the planning and the fear of oil shortage which prompt it have a familiar ring to the older men of the industry, like some discredited legend from the past. As far back as 1908, the Chief of the United States Geological Survey expressed great concern over the coming oil shortage, saying that practically all good geological prospects had been tested, and he wanted the Government to prevent further entry on public lands. Predictions of oil shortage made headlines after the last World War, and the proposals that seem to be going the rounds today are, unfortunately, similar to those made then.

In 1920 a bill was introduced into the Senate to form a United States Oil Corporation to operate in all foreign countries with capital supplied by the oil industry and a directorate of nine appointed by the President of the United States. Dollar gasoline was predicted as an immediate calamity. The then Secretary of the Navy wanted to nationalize the oil industry. With the benefit of hindsight, we see clearly how fortunate we were to avoid the dreadful mistake of adopting these plans, which would have stopped the industry's progress, and might easily have reduced greatly our chances of winning the present war.

There is no necessity or urgency which should compel such dangerous and revolutionary changes in the policy of our Government toward oil. Considering our total oil resources—not only in crude petroleum, but in all forms—we have in the United States alone, regardless of any other oil area, nearby or far away—a supply sufficient to meet our needs for an indefinite period. These oil resources are as follows:

(1) That part of the discovered crude recoverable by today's practices, called "Proved Reserves,"—the smallest part of our total oil resources, but just as great today after two years of enormous war demands as they were the day of Pearl Harbor. They are figured at 20,000,000,000 barrels under severe rules of measurement and bases of calculation. From this figure has come the often quoted, but quite wrong, statement that we have only 14 years' supply of oil.

(2) Crude oil to be discovered through the years by constant exploration and wild-catting if private industry is not stopped from doing this job by ill-devised plans that destroy incentive. All the crude oil produced in our country to date, plus the "proved reserves," would occupy only about two cubic miles of space, whereas we have at least 2,100,000 cubic miles of sedimentary strata in which to look for oil, and undoubtedly shall find a lot more of oil.

(3) Crude oil not included in calculating the first two classes of reserves, but which will be added thereto by improvement in the technology of production methods, both primary and secondary. These improvements may easily increase by 50% our estimate of the first two classifications of reserves.

(4) Natural gas—now proven in volume great enough to produce by known conversion technique as much gasoline as the present average refinery yield is likely to produce from the "proved reserves." Although more than half of our proven gas is contracted to move for fuel, it is certain that great additional volumes of gas will be found.

(5) Shales containing material convertible into oil. These exist in vast volume. Estimates, based on using only the richest and most easily mined shales, indicate they should provide 50,000,000,000 barrels of gasoline, or enough at probable post-war consumption for about 65 years. Cost of gasoline from shale is probably no higher than gasoline from coal.

(6) Coal. The amount of coal in North America is calculated in the trillions of tons. It has been estimated that this could supply 6,000,000,000,000 barrels of gasoline, which at probable post-war consumption would provide enough gasoline for 8,000 years—a volume which would obviously make possible a large oil supply without interfering with other uses for coal. Even today coal can be mined, converted to oil, and then to gasoline, and be sold at a price to the dealer, excluding tax, no higher than the price of 1918-22, excluding tax. The technology of this conversion has, naturally, had little attention in the United States, and when our able research talent really gets to work on it the cost will be greatly reduced. The prices of 1918-22 would seem high to our people today, because our private oil industry has continually reduced the cost of gasoline.

Finally, we have our greatest oil resource of all in the ability, energy and brains of American operating, engineering and research talent linked together in the American private oil industry. This combination of courage, energy and technology created the oil industry here and abroad; if permitted, it will constantly recreate this industry and make all these sources of oil available to the country in sufficient volume and at reasonable cost. Without this American daring and technological ability, our crude oil resources would have lagged and almost disappeared from the scene long ago.

Crude oil cannot be obtained by building a factory and installing machinery to make it. It does not occur in solid beds close to the surface to be had by simply digging it out. It is not running in surface channels, needing only to be harnessed to a pump and a refinery. You cannot get it by planting seeds or saplings and letting nature mature the crop. Go among the hills and to the plains and the seashore, and you will see nothing but perhaps a little seepage here and there to show that crude oil resources exist. Only by technological brains, great courage and persistence is crude oil brought into being from nature's hidden accumulations a mile or two or three below an unpromising looking ground surface.

The role of private industry in the development of oil resources is that of a creator. Unless the search for oil goes on ceaselessly, despite uncertainties and difficulties, the resources cease to exist for mankind. If this forceful American enterprise is preserved, we have enough oil resources at home to carry us through generations to come—undoubtedly until the advancing technology of the machine no longer requires a large volume of oil. Oil will continue to be a vital product only as long as it continues to provide the best and most convenient service at lost cost. When it no longer does this it will be gradually superseded. Until then our oil resources are adequate, unless the initiative to find and to develop them is destroyed.

These resources which I have mentioned are domestic. They represent the natural desire of a great nation to have its own supply. But we do not have to insist upon this self-sufficiency. Our production of crude oil may fall behind our country's enormous consumption. The costs of finding oil, which, according to the Petroleum Administration for War, have quadrupled in the past 10 years or so, may continue costly, so that a higher price will be necessary. It may take a few years before the cost of making oil from shale and coal is reduced to the cost of making it from crude petroleum. If we are unwilling to pay a slightly higher price to find oil in our country, or to get our surplus needs from shale or coal, we can import from other countries. There is no immediate shortage of crude oil in the world as a whole. The known fields are vast, and those yet to be found are sure to be very great. In these fields our nationals have so strong a position that we can import all we want, for as far ahead as is sensible to look. Even without ownership abroad by our nationals, we could always import our oil needs by buying from others in peace-time. In wartime, of course, the oil can be had by the buyer who has the transportation facilities to go for it, and who can protect the transportation. During the war British and American nationals owned oil in Rumania, and the British owned oil in Iran, but with Rumania an enemy and during the time that the Mediterranean Sea route was unsafe, these ownerships meant little.

So we can see no need for a change in the Government's policy toward the American oil industry, and we can see grave dangers. Our industry fears that the Government may put into effect policies which could mean the destruction of the private oil industry and a real shortage of crude oil. The first definite sign of taking the primrose path to ruin is the Petroleum Reserves Corporation. The oil industry has gone on record in condemning the policy, indicated by that company's charter, of having our Government rove the world in search of oil adventures with proprietary interest in territories of other nations. We have asked for a clarification of Government policy, with the people participating in the determination of that policy through their elected representatives. We all hope that the special committee of the Senate which is now investigating oil policy will clear this problem constructively. The recently concluded exploratory conversations between a United States and a British committee may also point towards international cooperation.

The oil industry recently presented to the Government two documents, one entitled "A Foreign Oil Policy for the United States," and the other a preliminary report entitled "A National Oil Policy for the United States." These put forward statesmanlike proposals which can be summarized as follows:

(1) First and foremost, our domestic oil industry should be encouraged to continue to search actively for more crude oil and gas fields. All measures encouraging to this finding effort should be continued and improved, and new encouragements found. Any suggested policy that would be discouraging to oil finding should be rejected.

(2) Our nationals engaged in oil operations abroad should receive the full diplomatic support of our Government, but our Government should not take any proprietary interest in the business.

(3) Our Government should promote the world's prosperity, understanding and peace by seeking international cooperation in oil, with arbitration of disputes.

(4) The domestic oil industry needs no further Federal administrative machinery, but the Federal assistance proven sound in the past should be continued, and States without conservation laws should be encouraged to adopt them.

(5) The public interest in oil can best be served by a vigorous competitive industry, guided by private initiative.

(6) The Government should avoid the dangers of hastily conceived measures, and if any new oil policies are needed they should be based upon mature study and knowledge, and adopted only with the aid and counsel of the private oil industry.

If our recommendations are heeded, we need have no fear for the security of this country in so far as its oil supply is concerned.

The Edward G. Budd Letters Involving The Right Of Employers To Free Speech

(Continued from page 2144)

case which is brought before it, but only those cases which it considers of sufficient importance, or of sufficient public interest to make this advisable.

In order that you may understand what has happened, and what you may lawfully do, I am going to state this to you as simply as I can.

In September, 1933 our employees, desiring to form an Association of their own for collective bargaining, asked the Company to help them to draw up its By-laws, and to hold an election for Representatives. This we did,—to use the words of the Philadelphia Court,—in a spirit of "friendly interest" and cooperation. The Company paid for printing the By-laws and the ballots, and cooperated in holding the elections in the plant.

Later the Representatives thoroughly revised the Proposed By-laws, had them approved by Wm. H. Davis, the Director under General Johnson of the N.R.A., and distributed them to the employees, after which another election was held in March 1944. In this election the employees, by a vote of 3,152 to 1,995, chose, in a secret ballot, the E.R.A. over the Local of the A. F. L. This Local had been conducting a strike, which, while it seriously interfered with production, was unsuccessful in inducing the men to choose the A. F. of L. as their bargaining representative.

Since then for 10 years the Company has dealt with Representatives on all questions involving wages, hours and working conditions. How well they have bargained is indicated by the fact that in that time the hourly wage-rate has increased from 55 cents in 1933 to $1.19 in 1943 and the average annual wages have increased from $1,092.64 in 1933 to $2,795.00 in 1943. During this time the Company has not paid any dividend at all on its Common Stock, and none on its Preferred Stock except the two quarterly dividends paid since last summer.

It has always been the Company's policy and desire to pay wages as high as it can and at the same time preserve its credit, keep its plant thoroughly up to date and sell its products in competition with other manufacturers. The present average earnings per hour are 45% above that paid in January, 1941.

During the period of the annual contracts negotiated by the E.R.A with the Company, there has been 10 years of industrial peace in our plants. This has made it possible for the employees to have steady earnings and has enabled the Company to develop its new products and thus expand employment.

In the spring of 1941 the C.I.O. made an unsuccessful drive to induce the employees to desert the E.R.A., to which no one apparently had objected from 1934 to 1941, and to choose and pay dues to the C.I.O. Local as their bargaining representative. At the same time the C.I.O. filed a charge with the Labor Board, claiming that the E.R.A. was "company dominated" and hence unlawful. The Labor Board decided in March, 1942, that, because of the assistance given the E.R.A. in its formation ten years ago, and also because of its later having secured a share in the receipts of the Employees' Exchange (which operates the candy and tobacco booths) the Association was unlawful in its beginning and so continued in spite of the 1934 election and of all its successful operation since then.

Last fall the United States Court in Philadelphia decided that, under the Wagner Act, the Labor Board was the sole judge of the facts, and the Court was bound by its decision.

Since the Supreme Court has now declined to take up the case, we will of course obey the Labor Board's order in good faith, even though we still believe it to be wrong, unfair and contrary to the best interests of the employees. We are, therefore, posting the notices which the Board requires, and are discontiuing all further negotiations with the E.R.A.

You must now decide whether you want to have a bargaining agency, and if you do, whether it will be more to your advantage to choose one of the outside unions or, on the other hand, to form your own organization. This you have a perfect legal right to do. The Wagner Act says:

"Sec. 7—Employees shall have the right to self-organization, to form, join or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection."

The Company fully recognizes this right of its employees, and such membership in any organization that you may choose to join or to form will not affect the position or prospects in the Company of any employee. On the other hand, I feel that it should be made clear to each employee that it is not at all necessary for him to join any particular labor organization, n spte of anythng he may be told to the contrary. Certainly there is no law that requires or is intended to compel you to pay dues to or to join any organization.

If you decide to form an independent union here in the plant, the Company, although entirely agreeable to this plan, can and will do nothing whatever to assist you, but would recognize such an association as your accredited bargaining agency when satisfied that it was properly formed and had the support of a majority of the employees.

In deciding whether you prefer to join an outside organization or to form a new Association of your own, you will make up your mind which form of representation will be better for you as an employee of this Company, and which one will be more likely to enable your Company to operate most efficiently and continue to be able to pay you the highest wages. Of the Company's willingness to pay the highest wages it can afford you have had ample proof over the past ten years.

To what kind of leadership are you going to entrust your future with this Company? Is it unselfish leadership, or is it not? Is it interested in your personal, individual welfare, or is it self-seeking? If an outside organization, on the basis of its past record is it open and above board and dependable, or don't you know? These are questions you should think about and talk over at home.

One thing more. We are all now engaged in making munitions and appliances for use in carrying on the War and finishing it just as fast as we can. Let us allow nothing that we may do to interfere with our maximum effort to this end.

Sincerely yours,
Edward G. Budd,
President

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2144)

changed again. Tape began active and prices strong. Ordinarily, such a condition should make the average Wall Streeter's eye glisten in anticipation. But, paradoxically, it didn't. Instead, it resulted in confusion. The bulls, with their chests puffed out, went around saying, I told you so. The bears merely increased their doleful shaking of their heads, saying, it was just a flash in the pan which would result in a greater decline. Strange to say, neither side, no matter how strong its convictions, had any position to speak of. The bulls, while optimistic speak ramblingly about the long term, secretly waiting for a set-back to buy stocks. The bears are simply out of stocks, though telling everybody this one and that is a good sale but doing nothing about it themselves.

* * *

It might be wise to point out in passing that practically everybody is bullish for something described as the long term. Only on the near term is there any difference of opinion (I'm referring to market letter writers and advisors). This unanimity of opinion carries with it the seeds of reaction. For no post-SEC market can stand prosperity. But while our market is down one day and up the next, the London Exchange is going through what some people describe as a profit-taking stage and others as a decline. But whatever it is called, the London market is going down.

* * *

Disregarding the market as a unit and limiting this discussion to individual stocks, we find that things are acting nicely. For example: Crane, recommended (and available) at 22½, is now at a new high of about 24. Granted, the profit, in points, is nothing to crow about, still the fact that it's up in a so-so market points to still better levels once the market itself shows any sustained advance. When stock was advised a stop of 20 was suggested. I now suggest it be raised to 22. On up-side, Crane looks capable of getting to about 26 before any serious offerings are met.

* * *

Another one is National Gypsum, advised as switch from Servel. NG was bought at 9¾ and is now about a point better, 10¾. A gain of a point is quite small, but the fact that this one point was made against old offerings which go back to June, 1943, is nothing to be sneered at. About a half a point more (across 11½) and stock will be in new high ground. Stop, however, should be raised to 9½.

* * *

On the news front there is little to report. The big news is of course invasion, and, for all I know, it may occur before the next column appears. But D-Day and all its implications is something everybody has a guess about. All I know about it is what I read in the papers. But I do know that once it is underway then all the market prognosticators will be wrong—including myself.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Situations Of Interest

Herzog & Co., 170 Broadway, New York City, have prepared interesting memoranda on Hartgis Bros., Federal Screw Works, and Megowen Educator Food, which offer attractive situations currently, the firm believes. Copies of these memoranda may be had upon request from Herzog & Co.

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NEW YORK 5, N. Y.

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New York Curb Exchange
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N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Equalization Of Government Subsidies To Transportation

(Continued from page 2141)

have the free or partially free use of publicly owned and maintained rights of way.

In smaller degree the carriers by highway are at a disadvantage in competition with waterways and airways. The subsidy to water and air carriers is certain and substantial. They pay nothing for the use of publicly owned and publicly maintained rights of way. The highway carriers, on the other hand, pay substantially for the privilege of operating on highways and streets but there is doubt as to whether the commercial carirers, as distinguished from private carriers and automobile owners, are bearing their full share of the burden of joint costs. The degree of subsidy to commercial carriers by highway, however, is uncertain and is yet to be convincingly established.

It appears, therefore, that the subsidy to the several modes of transportation is unequal in degree. No one can fairly find fault with the principle that if government largesse is to be bestowed on commercial transportation no one form should be favored in greater degree than others. An exception to this principle may be justified during the early years as an aid to development of a new form. Commercial carriers by water and highway, however, are not "infant industries" and air transportation is now emerging from childhood to adolescence. Each form should now be placed on its own feet, to rise or fall according to its own economy and fitness, its inherent advantages protected from uneconomic and destructive competition by fair and impartial regulation.

While the attainment of precise equality between modes of transportation in the degree of subsidy is not practicable, an approximation of equality may be achieved in three ways. One is suggested in the recent report of the National Resources Planning Board. It would not disturb the present policy of subsidy to highway, water and air carriers but would extend a form of subsidy to railroads by purchasing or leasing the railroad fixed property, financing the needed additions and betterments, and permitting the railroad companies to operate their trains over the government owned right of way under user charges.

A second method is found as an element in the plan of the Transportation Association of America. Under it the many individual carriers by all forms of transportation would be put together in a limited number of transportation systems. Each of approximately 24 systems would be built around a group of railroads as now organized and would embrace also carriers by highway, water, and air. Each system would, therefore, share in the subsidy to the subsidized forms and would maintain its own railroad rights of way and structures without subsidy.

The third method would in effect withdraw all transportation subsidies by requiring the carriers now subsidized to pay user charges which would fully reimburse the government for the carrying charges on and amortization of the capital expenditures in transportation facilities, and for the cost of maintaining those facilities. Each of the three methods will be discussed in the order named.

The suggestion offered in the report of the National Resources Planning Board, that the railroad fixed plant should be purchased or leased by the government, was included in the body of the text and in the summary, both written by the Board's economists, but it was not mentioned in the letter of transmittal by Chairman Owen D. Young of the Advisory Committee to Chairman Frederic A. Delano of the Board, nor in Mr. Delano's letter to President Roosevelt. As a matter of fact, Mr. Young specifically relieved the Advisory Committee of responsibility for the recommendations and findings in the report by stating that it must not be understood that the members of the Advisory Committee necessarily endorse the views set forth in the report, since full liberty of expression was accorded to the writers. He recommended, however, that the report be made available as a guide to thinking and an aid to planning. The specific suggestion that the railroad fixed property be purchased, therefore, may not properly be considered as one approved by the Board, even though it appears in the summary written by Dr. Watkins, the Director of the Transportation Study. Following a discussion of charges for the use of publicly owned transportation facilities, and differences in methods of determining the costs of private and of public facilities, Dr. Watkins suggested:

"Under existing investment conditions these differences in supplying capital may balance well enough for all practical purposes to insure equity, but because of changing circumstances the ultimate solution may lie in the public ownership or leasing of all basic transportation facilities, with the railroad fixed plant placed in the same category as public highways, waterways, and airways and paid for according to use. This step would establish a basis of equality in the provision of all transport facilities. Likewise, it would overcome the difficult problems arising from the railroad's burden of fixed indebtedness, for the user charge would be based on the volume of traffic, thus substituting a variable for a fixed obligation. In addition it would permit more effective provision of transportation plant because it would facilitate joint use of rights-of-way and structures, coordinated terminal arrangements, and over-all plans directed to transportation requirements as a whole."

This statement was followed by one which may indicate that the principal thought in Dr. Watkins' mind was social rather than economic. This is what he wrote:

"Still another advantage of public ownership or leasing of all the fixed transportation plant would be realized in connection with emergency public works programs which now apply only to highways, waterways and airways. In the future the extension of such programs to the railroads would have the advantage not only of creating a more equitable competitive condition, but of tapping a large new reservoir of useful and needed construction projects."

We need not consider the Watkins suggestion from the social or unemployment relief viewpoint. We are here concerned only with its bearing on equalization of subsidy. Unfortunately the only description of the plan is that contained in the above quotations from the summary of the report. The railroad property to be purchased or leased by the government is described at one point as the "fixed plant" and at another point reference is made to "rights-of-way and structures." It may be assumed that the track structure and bridges are to be included but we are not sure about terminal and station buildings, enginehouses, repair shops and other such buildings. Nor is anything said as to whether the work of maintenance would be done by the government or by the railroads. The report is silent on questions affecting the purchase price or the terms of the lease, the legal rights of the holders of mortgage bonds, and the means of reimbursing cities, towns and counties for losses in tax revenues.

Reference is made to joint use of rights of way and structures. We do not know whether this means, for example, that the Atlantic Coast Line could operate its trains between Richmond and New York over the R.F.&P. and Pennsylvania or whether the Pennsylvania could operate over the New Haven between New York and Boston. We do not know whether operators of vehicles, such as the auto-rail car, equipped with ruber tires for use on highways and flanged metal wheels for use on steel rails, would have the right to operate on the railroads.

One very important question has to do with the basis on which the user charge would be determined. If the government were to purchase the railroad fixed property at a fair price, and in the determination of the user charge had to deal only with the railroad corporations, it may be assumed that the charge would be set so that the government would not sustain a loss on its investment. If the charge would cover the full cost of ownership by the government, a charge now borne by the railroads, the only way in which the railroad would be better off financially would be in the lower interest rate on government bonds. That advantage, however, would be more than offset by the additional interest charges on expenditures for uneconomic government-made improvements and by higher operating expenses in providing service not justified by earnings. The political pressure to spend money lavishly on expansion and improvements in facilities, and in going beyond reasonable bounds in adequacy of service on lines with light traffic, is almost certain to be intense.

The sugar-coating of the Watkins plan is in its promise that the user charge, which impliedly would be proportional to the quantity of use, would substitute a variable cost for a fixed cost, so that the burden on the railroads in a period of depression would be lightened by government assumption of loss. There is no certainty, however, that the terms to be imposed by the government would be as liberal as Dr. Watkins suggests. The greater likelihood is that the government would make sure that its interests would be protected by a provision in the agreement that the user charge would be subject to periodic revision to take account of changing conditions.

In view of the many difficult legal, financial and operating problems inherent in the Watkins plan, and the valid doubt as to whether it would in fact be a subsidy, it is easy to understand why the railroads strongly object to the proposal. There is sound basis for the belief that the dominant thought in the plan is to bring the railroads in with the highways, waterways and airways as a very large field in which public expenditures of the make-work type could be undertaken in the post-war period to relieve unemployment. More sinister than that, from the viewpoint of economic and efficient transportation service and the probable effect on other large industries, is the practical certainty that if the government were to purchase or lease railroad fixed property, and had the power to dictate the manner and extent of post-war rehabilitation and modernization, the calamity of government ownership would quickly follow. The Watkins plan then may be disposed of by the statement that it is a wolf in sheep's clothing.

Having rejected the plan of the National Resources Planning Board as both dangerous and impractical, as well as deficient in its remedial application to our immediate problem of equalization of subsidy to transportation agencies, we may now consider the second of the three alternatives—the plan sponsored by the Transportation Association of America. Other speakers on this program may discuss its underlying philosophy and objectives. Here we may discuss it solely from the viewpoint of equalization of transportation subsidy.

Briefly stated, the plan of the Association contemplates that instead of continuing the present wasteful competition between modes of transportation, the railroads would be grouped into a limited number of competitive systems and each system would be permitted to have its highway, water and air department by acquiring present carriers in those fields. Within each system the servcies of all four forms of transportation would be coordinated or integrated so that the service by each type of transportation would be confined to the field in which it has economic superiority and fitness. Within each system there would be no competition between its four types of service. Instead the services would be integrated in such manner as to provide the public with the maxmium of efficiency at the minimum of cost. There would, however, be competition between systems and the aim would be to serve all important cities by at least two of the integrated systems.

Such integration is not now possible except in a severely restricted degree. The Interstate Commerce Commission permits railroad ownership of a highway carrier only when the highway service is complementary to but not competitive with the railroad. The Panama Canal Act forbids railroad control of water lines with which there might be competition, and the Civil Aeronautics Board is carrying out a policy under which an air line may not be owned or controlled by a railroad, highway, or water carrier. The plan of the Association, therefore, would require the removal of such restrictions.

The principal objective of the plan is to assure a continuation of private ownership and management of transportation agencies and to avert the dangerous alternative of government ownership. The creation of integrated transportation companies would eliminate in greater part the wastes in destructive and uneconomic competition, would reduce the overall cost of transportation to the public, and by the improvement in net income would avert the threatened bankruptcy of all transportation agencies in the post-war period if with it should come a slump in business activity and an accentuation of the present degree of wasteful competition.

The theory under which the Association asserts that integration would bring about an equalization of government subsidy rests on the premise that each of the integrated companies would embrace railroads, which are not now subsidized; highway carriers, which may be subsidized but probably in small degree; and water and air carriers, which enjoy substantial subsidy. The railroad department of each system would constitute the greater part of the total investment, produce the greater part of the transportation units, and earn the greater part of net operating income. The remainder of the system net income would come from the operation of its subsidized agencies of transportation and the benefits of the subsidy to those agencies would flow to the integrated companies rather than to the separate and independent individual agencies.

The soundness of the theory that integration would bring about equalization of subsidy depends in large part on the equality in the distribution of the subsidized agencies among the integrated companies, and the relation between the number and transportation product of the subsidized agencies which become parts of the integrated systems and the number and transportation product of the subsidized carriers which prefer to operate independently in competition with the integrated systems. It is not unlikely that the present unfriendly attitude of those carriers toward railroads would continue and would breed distrust toward any plan which would require them to surrender their freedom and virtually put the future of their enterprise in the hands of their erstwhile enemy. And even if they were induced to surrender their independence, the water carriers and air carriers are not sufficient in number to permit an equal distribution by number and importance among the integrated companies. How would the American, the United, the T.W.A. and the Eastern — the "Big Four" among the air lines—be allotted to the larger number of integrated systems? Would they be broken into parts to fit the needs of the integrated systems, or would integration be effected by a distribution of stock ownership? What water lines could be allotted to an integrated system such as might be built around the Union Pacific Railroad?

These and other questions raise serious doubts as to whether the plan of the Association, meritorious though it is in many other respects, offers an adequate solution of the problem of unequal distribution of government subsidy among transportation agencies.

Having rejected the plan of the National Resources Planning Board and having found that the plan of the Transportation Association of America is inadequate in so far as it relates to equalization of subsidy, we are left with the last named of the three alternatives, that is, the elimination of subsidy to any and all transportation agencies by imposing adequate charges for the use of government - owned facilities and services. Parenthetically it may be noted here that the solution of the subsidy problem by adequate user charges would strengthen rather than weaken the integration plan of the Transportation Association.

User charges are already applied in principle to commercial and private carriers by highway. They pay registration fees and gasoline taxes in all states and additional charges, such as vehicle mile or ton mile taxes, in a few states. Every state has its own basis for charges and the differences are extreme. The carriers on inland waterways pay nothing in reimbursement to the government for its heavy expenditures in making the inland waterways navigable, in maintaining them, and in providing lighthouse service; and they pay little to the cities and towns for the use of loading and unloading facilities. The air carriers pay nothing to the government for its capital expenditures and maintenance costs on the lighted airways or for the weather bureau and radio beam service, and they pay little for the use of municipal air fields. Besides, most of them are subsidized by payments for transportation of mail, even though the air mail payments to a few of the larger air lines have recently been reduced by the Civil Aeronautics Board.

The principal difficulty in the determination of fair user charges lies in the fact that the government expenditures were made and the maintenance expenses are being incurred for the benefit of the general public as well as for the benefit of the commercial carriers. The highways and streets offer the most difficult problem of apportionment because they would be maintained, although not to present standards, even if there were no commercial vehicles. They are necessary for national defense, for mail service, for police and fire protection, and for other forms of community use. They are used by horse-drawn vehicles, farm equipment, cyclists, and pedestrians. The improvement of inland waterways is linked with power projects, irrigation, flood control, and the prevention of soil erosion, and the waterways are used by government and private vessels. The lighted airways are used to a large extent, and the public airports to a small extent, by the military air forces and are therefore chargeable in part to national defense. In all cases, therefore, there are troublesome problems in the apportionment of joint costs along functional lines.

No less difficult are the problems in the determination of cost. Many of them call for decisions in public policy. Should the use of the public ways commercially for private gain in the service of transportation be looked upon as a by-product of investments made and expenses borne by the government for the general public weal, or should the commercial carriers assume their full proportion of all costs, with possibly an addition thereto in the nature of a fee for privilege? In the building up of costs what should be done about interest on capital expenditures? Should the treatment of interest charges be the same on expenditures financed from current tax income as on those financed by the sale of government bonds? What basis should be used for amortization? From what date should costs be computed? Should the costs of lighting and patrolling, and the administration of the highway department, be included with the unquestioned costs of highway maintenance? How are costs, when finally determined, to be divided among motor vehicles, vessels and airplanes of different weights or capacities?

A mere statement of these problems explains why there is extreme divergence of view and why thus far there has been no reconciliation of differences between the users and those who have attempted to find and allocate the cost. Yet, notwithstanding the difficulties, formidable though they may be, it should be possible for qualified experts in government service, federal and state, to work out a formula that may be used to determine a reasonably fair scale of charges for commercial users of highways, waterways and airways.

The Board of Investigation and Research, created under the authority of the Transportation Act of 1940, was charged with the task of making studies and reaching conclusions on (1) the relative economy and fitness of the several forms of transportation, (2) the degree in which each form has been and is being subsidized, and (3) the relative taxation imposed on each. The report on subsidies is likely soon to be released. We hope that it will have definite and soundly supported facts and recommendations from which the Federal Government and the individual states may fairly determine the extent to which commercial carriers by highway, waterway, and airway should reimburse the government for their share of costs of providing rights of way and services. The fact that the allocation of joint cost is surrounded by difficulties is recognized. These difficulties, however, are not insurmountable. An earnest effort on the part of the government to overcome them should be made because the collection of fair user charges would eliminate the subsidy, each agency of transportation would pay its way, and the present competitive inequality would disappear.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y

Calendar Of New Security Flotations

OFFERINGS

BEATRICE CREAMERY CO. has filed a registration statement for 100,433 shares of common stock ($25 par). Company is initially offering the shares for subscription to common stockholders. Holders of record May 19 will be given privilege to subscribe for one additional share for each four shares held to June 1, 1944. Proceeds, together with other treasury funds, will be used to redeem on Aug. 1, 1944 approximately 29,788 shares of company's outstanding $4.25 cumulative preferred stock at $105.50 per share. Glore, Forgan & Co., are principal underwriters. Filed April 29, 1944. Details in "Chronicle," May 4.

DODGE MANUFACTURING CORP. has filed a registration statement for $1,000,000 15-year 4% sinking fund debentures due May 1, 1959. A portion of the proceeds will be used to repay a bank loan of $375,000 incurred in connection with the purchase on April 21, 1944, of the entire outstanding capital stock of Etching Co. of America, now a wholly-owned subsidiary. Of the balance a minimum of $500,000 will be used to repay, in part, bank loans and remainder will be added to working capital. Central Republic Co., Inc., Chicago, is named principal underwriter. Filed May 3, 1944. Details in "Chronicle," May 11, 1944.

Offered May 23 at 100 and interest by Central Republic Co., A. C. Allyn & Co., Inc. and H. M. Byllesby & Co., Inc.

M. A. HANNA CO. has filed a registration statement for 100,000 shares of $4.25 cumulative preferred stock (no par). Company is offering to holders of outstanding 128,531 shares of $5 cumulative preferred stock the right to exchange such shares for shares of the $4.25 cumulative preferred stock on the basis of 1 and 1-20th share of $4.25 preferred for each share of $5 preferred. This offer remains open until the close of business May 31 unless the 100,000 shares of $4.25 preference stock shall be exhausted. Upon declaring the plan of exchange effective the company will call for redemption any of the shares of the $5 cumulative preferred which are not deposited for exchange. To provide a portion of the funds to effect such redemption the company may sell to underwriters shares of the $4.25 cumulative preferred as may not be issued pursuant to the exchange offer. Principal underwriters Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. Filed April 29, 1944. Details in "Chronicle," May 11, 1944.

SYLVANIA ELECTRIC PRODUCTS, INC. has filed a registration statement for 150,526 shares of common stock, without par value. Of the shares registered, 100,000 shares are to be offered to the public by underwriters, and 50,526 shares to be issued to stockholders of Colonial Radio Corp. Proceeds of the 100,000 shares will be used as additional working capital. Filed May 11, 1944. Details in "Chronicle," May 18, 1944. Underwriters are Paine, Webber, Jackson & Curtis, 29,000 shares; White, Weld & Co., 12,200; Lee Higginson Corp., 12,200; Estabrook & Co., 8,000; Merrill Lynch, Pierce, Fenner & Beane, 8,000; Goldman, Sachs & Co., 6,000 Lehman Brothers, 6,000; Putnam & Co., 3,100; Graham, Parsons & Co., 2,400; Whiting, Weeks & Stubbs, Inc., 2,400; Brush, Slocumb & Co., 1,700; Yarnall & Co., 1,700; Minsch, Monell & Co., 1,700; Mackubin, Legg & Co., 1,300; Stein Bros. & Boyce, 1,300; Herbert W. Schaefer & Co., 1,000; Van Alstyne, Noel & Co., 1,000 and Wyeth & Co., 1,000.

Offered (100,000 shares) May 23 by above underwriters at $28.50 per share.

VIRGINIA ELECTRIC & POWER CO.—An amended plan for merger of Virginia Electric & Power Co. and Virginia Public Service Co. filed with SEC April 17, 1944. Amended plan provides following changes from original plan: (1) $23,000,000 of 3% bonds of Vepco will be sold instead of $24,500,000 of 3½% bonds; (2) $9,000,000 of 2¼% 10-year serial notes will be issued instead of $5,000,000 2¼% 5-year serial notes; (3) each share of Vps preference will receive one share of new Vepco $5 dividend preference stock plus, for the 7% Vps preference, $24.50 in cash and for 6% Vps preference $19 in cash (plus accrued dividends in both cases); Vepco will restrict dividend payments on common to an extent which will leave in surplus $11,020,000 over a period of 10 years as compared with original proposal of $6,000,000 over a period of five years. Original plan filed Feb. 28, 1944, details of which were outlined in "Chronicle," March 16, 1944.

Stock Offered—15,008 shares of $5 dividend preferred stock (par $100) offered May 19 by Stone & Webster and Blodget, Inc., The First Boston Corp., Harriman Ripley & Co., Inc. and associates.

Bonds Offered—$23,000,000 first and refunding mortgage bonds, series D 3%, offered May 24 by Stone & Webster and Blodget, Inc., The First Boston Corp., Harriman Ripley & Co., Inc., Blyth & Co., Inc., Goldman, Sachs & Co. and associates. The bonds were awarded to the bankers May 22 on a bid of 102.2999.

WEST PENN POWER CO. has filed a registration statement for $12,500,000 first mortgage bonds, series L, 3% due May 1, 1974. Price to the public will be filed by amendment. Bonds are to be sold pursuant to the competitive bidding requirements of the SEC's Rule U-50. Net proceeds, together with such additional funds as may be required, are to be used for the redemption of the outstanding $12,500,000 first mortgage gold bonds, series E, 5% on Sept. 1, 1944, at 105 and accrued interest. Filed April 28, 1944. Details in "Chronicle," May 11, 1944.

Bonds awarded to Halsey, Stuart & Co., Inc. and associates May 23 on bid of 103.6499.

Offered May 25 by Halsey, Stuart & Co., Inc., Otis & Co., Hornblower & Weeks and associates at 104½ and interest.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

TUESDAY, MAY 30

BURRY BISCUIT CORPORATION has filed a registration statement for 200,000 shares of common stock, par value 12½ cents. Proceeds will be used to augment working capital and for other corporate purposes. Van Alstyne, Noel & Co., and Carlton M. Higbie Corp. are named representatives of the underwriters. Filed May 11, 1944. Details in "Chronicle," May 18, 1944.

THURSDAY, JUNE 1

PARKEDGE CORP.—Barnet L. Rosset, William Gross and Charles J. Young, as trustees, have filed a registration statement for voting trust certificates relating to a maximum of 2,548 shares of Parkedge Corp.

Address—Owns building located at Euclid Avenue and West Pine Boulevard, St. Louis, Mo.

Business—Operating apartment building.

Purpose—Certificates are already outstanding in hands of registered holders, and it is proposed to extend the trust for seven years from April 30, 1945, with certain modifications in agreement.

Registration Statement No. 2-5372. Form F-1. (5-13-44).

GEORGIAN-DEMING BUILDING CORP.—Barnet L. Rosset, Daniel J. Brumley and John T. Dempsey, as trustees, have filed a registration statement for voting trust certificates for a maximum of 2,370 shares of Georgian-Deming Building Corp.

Address—Owns building located at 537-39 Deming Place, Chicago.

Business—Operating apartment building.

Purpose—Certificates are already outstanding in hands of registered holders, and it is proposed to extend the trust for seven years from Nov. 14, 1944, with certain amendments in the agreement.

Registration Statement No. 2-5373. Form F-1. (5-13-44).

SUNDAY, JUNE 4

ROCKY RIVER APARTMENTS, INC.—Barnet L. Rosset, Louis J. Borinstein and Charles J. Young as trustees have filed a registration statement for voting trust certificates for a maximum of 6,713 shares of Rocky River Apartments, Inc.

Address — Building located in Rocky River, near Cleveland, Ohio.

Business—Operating an apartment building.

Purpose—Certificates are already outstanding in the hands of registered holders, and it is proposed to extend the trust for seven years from Jan. 24, 1944.

Registration Statement No. 2-5374. Form F-1. (5-16-44).

MONDAY, JUNE 5

RADIO - KEITH - ORPHEUM CORP. has filed a registration statement for 57,337 shares of 6% preferred stock, cumulative, $100 par, convertible on or before April 11, 1947, and 458,696 shares of common stock, $1 par, reserved for issuance upon the conversion of the 6% preferred stock registered. The preferred shares are issued and outstanding and do not represent new financing by the company.

Address—1270 Sixth Avenue, New York.

Business — Holding company controlling subsidiary companies engaged in motion picture business.

Proceeds — The shares registered are owned and are to be sold by the Atlas Corporation which will receive the proceeds from the sale.

Underwriting — Lehman Brothers and Goldman, Sachs & Co. are principal underwriters, with others to be named by amendment.

Offering—Offering price to the public to be filed by amendment.

Registration Statement No. 2-5375. Form A-2. (5-17-44).

TUESDAY, JUNE 6

SUNRAY OIL CORP. has filed a registration statement for $13,000,000 sinking fund debentures. The interest rate, maturity date and redemption provisions will be filed by amendment.

Address—Philtower Building, Tulsa, Okla.

Business—Development of oil and gas lands.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—The proceeds of the new financing is to provide the funds required for the consummation of the proposed merger of Darby Petroleum Corp., of Tulsa, Okla., into Sunray Oil Corp., and to retire mortgage indebtedness.

Underwriting—Eastman, Dillon & Co., is named principal underwriter, with names of others to be filed by amendment.

Registration Statement No. 2-5376. Form S-1. (5-18-44).

WEDNESDAY, JUNE 7

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par value $100 per share.

Address—Chicago, Ill.

Business—All of the business of the company, except in the case of the acquisition of certain trucks owned by employees of the Curtiss Candy Co., an affiliate and parent company of registrant, have been transacted directly with Curtiss Candy and its subsidiaries.

Underwriting—None named.

Offering—Price to the public $100 per share.

Proceeds—For acquisition of factory and warehouse buildings and additional trucks.

Registration Statement No. 2-5377. Form S-1. (5-19-44).

ALLEGHANY CORP. has filed a registration statement for $30,000,000 3¼% secured convertible notes due April 15, 1954.

Address—704-5 Equitable Building, Wilmington, Del.

Business—Investment company.

Underwriting—To be supplied by amendment.

Offering—Price to public to be supplied by amendment.

Proceeds—Net proceeds, together with other funds of company, will be used for the redemption of all of the outstanding bonds of Alleghany within 60 days from the date of issuance of the notes, including $21,661,000 face amount of 20-year collateral trust convertible 5s due June 1, 1949, and $19,137,000 face amount of 20-year collateral trust convertible 5s due April 1, 1950. The notes are to be convertible into shares of the pledged common stock of the Chesapeake & Ohio Railway on a basis to be filed by amendment (or into substituted units of collateral as provided in the indenture.)

Registration Statement No. 2-5378. Form S-4. (5-19-44).

THURSDAY, JUNE 8

NATIONAL RESEARCH CORP. has filed a registration statement for 50,000 shares of common stock, par value $1 per share.

Address—100 Brookline Avenue, Boston, Mass.

Business—Research work.

Offering—Offering price to the public $11 per share.

Proceeds—For working capital.

Underwriting—Paine, Webber, Jackson & Curtis and First Boston Corporation.

Registration Statement No. 2-5379. Form S-1. (5-20-44).

R. B. SEMLER, INC., has filed a registration statement for 101,300 shares of common stock, par $1. Of the total 15,000 represent stock to be sold by the company and the remaining 86,300 shares to be sold by present stockholders.

Address—60 Elm Street, New Canaan, Conn.

Business—Owns the trade-mark "Kreml" in the United States and Canada, and distributes two proprietary products.

Offering—Price to the public will be supplied by amendment.

Proceeds—Net proceeds from sale of 15,000 shares by the company are to be used for general corporate purposes. Balance of proceeds will be received by the selling stockholders.

Underwriting—F. Eberstadt & Co., heads the list of underwriters.

Registration Statement No. 2-5380. Form S-2. (5-20-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN BAKERIES CO.—13,000 shrs of class B stock (no par). The stock offered for sale is that of L. A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Names of underwriters and price to public by amendments. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

BEN-HUR PRODUCTS, INC. — $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion) Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $30 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. No underwriters named. Filed Mar. 30, 1944. Details in "Chronicle," April 6, 1944.

DALLAS RAILWAY & TERMINAL COMPANY has filed a registration statement for $3,000,000 first mortgage serial bonds dated June 1, 1944 due each June 1 from 1945 to 1959, inclusive. Proceeds from the sale of the bonds, together with such additional cash from its general funds as may be necessary, will be used to redeem $3,567,700 first mortgage gold bonds, 6% series due 1951, at 102 and interest. The bonds are to be offered for sale under the competitive bidding requirements of the Securities and Exchange Rule U-50. Names of underwriters, interest rate and price to the public will be supplied by amendment. Filed May 3, 1944. Details in "Chronicle," May 11, 1944.

Bids for the purchase of the bonds will be received by the company at 2 Rector St., New York City, until June 5, 12 noon, the bidders to specify the interest rate.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for $1,500,000 first mortgage sinking fund bonds 4% series C, due April 1, 1959. Central Republic Co., Inc., Chicago, underwriter. Price 107 exclusive of accrued interest from April 1, 1944. Proceeds for construction purposes. Details in "Chronicle," April 27, 1944.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for 2,000 shares of $5 cumulative preferred stock (no par) and 58,636 shares of common stock ($5 par). Holders of common stock of record May 12 are offered the right to purchase one share of common at $6.50 a share for each four shares held. Rights expire May 26, 1944. Unsubscribed shares will be taken up by the underwriters at $6.50 a share and offered to the public at $7 per share. Offering price of the preferred to the public is $105 a share. Proceeds from sale of stock will be used to defray costs of construction expenditures. Underwriters for stock are First Trust Co. of Lincoln, Neb.; Cruttenden & Co., Chicago; Beecroft, Cole & Co., Topeka; Harold E. Wood & Co., St. Paul; Rauscher, Pierce & Co., Dallas; United Trust Co. of Abilene, Kansas, and Frank & Belden, Inc., Minneapolis. Details in "Chronicle," April 27, 1944.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). Company is offering to holders of its outstanding 7% cumulative preferred stock, series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20. Underwriters are Milwaukee Co., 5,750 shares; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500; Loewi & Co., 1,500; Bingham, Sheldon & Co., 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500. Filed April 25, 1944. Details in "Chronicle," May 4.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share. Company plans to issue the 220,078 shares of 5% preferred stock to effect the retirement by exchange or redemption of an equal number of shares of its 7%, 6% and 5½% preferred stock, the exchange to be on a share for share basis plus a cash payment to be filed by amendment. Stone & Webster and Blodget, Inc., and Harriman Ripley & Co., Inc., New York, are principal underwriters Details in "Chronicle" April 27, 1944.

Exemption from competitive bidding rule denied by SEC in opinion issued May 5, 1944. Company on May 12 filed an amendment with the SEC proposing invitation of competitive bidding on the stock under rule U-50.

PLOMB TOOL CO.—$600,000 10-year 5% convertible debentures due Jan. 1, 1954. Proceeds will be used to redeem first mortgage bonds, reimbursement of company for funds used to redeem preferred shares and reduction in V-loan. Price to public and names of underwriters by amendments. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

SPRAGUE-WARNER-KENNEY CORP. — 15,000 shares of 6% cumulative preferred stock (par $100). Proceeds will be used for the acquisition of a maximum of 8,649 shares of Western Grocer Co. 7% preferred in exchange of shares and $575,000 will be applied to retirement of 5,750 shares of 6% cumulative preferred of Sprague at $100 per share. Company also plans to issue $3,250,000 face amount of installment promissory notes and use proceeds as additional working capital. A. C. Allyn & Co., Inc., underwriter. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

STERLING ENGINE CO. has filed a registration statement for 304,075 shares of common stock, of which 23,225 are being issued by the company through underwriters and 180,850 shares by three present stockholders. Offering price to public on 204.075 shares is $3.75 per share. An additional 100,000 shares is reserved against the exercise of warrants to purchase 100,000 shares of common, at $4.50 per share, prior to three years from and after the effective date of registration statement. Proceeds for working capital. Burr & Co., New York are principal underwriters. Filed April 24, 1944. Details in "Chronicle," May 4.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

Rails Offer Interest

Gary Railways common and Memphis Street Railway preferred offer interesting possibilities, according to memoranda issued by Bittner & Co., 80 Broad Street, New York City. Copies of these memoranda, into which are incorporated news of recent developments in the situations and earnings, may be had from Bittner & Co. on request.

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"Our Reporter On Governments"

By DONALD MacKINNON

(Mr. MacKinnon has been kind enough to act as guest writer this week. As is true of other contributors, the opinions expressed by Mr. MacKinnon are his own and do not necessarily reflect the views of the Chronicle.—Editor.)

On May 8 the Ways and Means Committee reported a bill to increase the statutory limit of the public debt from $210,000,000,000 $240,000,000,000. . . . The Treasury had previously requested an increase of the limit to $260,000,000,000. . . . The Administration thus yielded to Republican demands for a slash of $20,000,000,000 from the originally proposed new ceiling. . . .

Under-Secretary of the Treasury Daniel W. Bell, answering a question by Representative Charles S. Dewey, Republican, of Illinois, as to whether the reduced figure would be acceptable to the Treasury said that, "It would be all right with us," but that a request for a still larger ceiling would be made early in 1945 if the higher rate of war expenditures continues. . . . Mr. Bell also said, "We would not need this new limitation if the war should end this year. . . . The request is based on the assumption that the war will continue another year. . . .

The House and Senate subsequently passed the Doughton bill which provides for an increase in the national debt limit to $240,000,000,000. . . . Certain political implications were emphasized when, it is reported, Representative Jere Cooper of Tennessee, for the Democratic majority of the Ways and Means Committee, warned that the Roosevelt Administration would be back in January asking for further increases in the debt limit. . . . It is alleged that Representative Harold Knutson of Minnesota, for the Republican minority of the Committee replied that this Administration would not be in power then to make such a request. . . .

Representative Doughton, Chairman of the Ways and Means Committee, made a statement to the effect that the increase of the public debt limitation to $240 billions will be sufficient "in the opinion of the Committee to cover necessary public debt issues until March 31, 1945." . . .

On May 10, the President submitted to Congress a request for $15,676,000,000 in new appropriations for the War Department for the fiscal year beginning July 1, 1945. . . . As of that date, figures available indicated that unobligated and unexpended balances of the War Department for the current fiscal year amount to $33,607,000,000. . . . If passed, the new appropriation would make available to the War Department a total of $49,283,000,000 through the fiscal year ending June 30, 1945. . . .

BALANCES EXPLAINED

At least two reasons are given for the existence of the huge amount of unexpended funds: One, over estimates last year regarding the size of the Army, and two, the War Department did not spend as much as was anticipated originally. . . . One may wonder whether the War Department will spend that amount through June 30, 1945. . . . Currently the Treasury deficit is roughly four and one-half billions less than it was for the same period a year ago. . . . We simply wish to point out that, even though Mr. Bell's assumption is correct, and the war does continue for another year, the requirements of the Treasury may decrease. . . .

Everyone, in one way or another, is vitally concerned with the possibility, however remote, of any decreases in Treasury requirements, for obvious reasons. . . . We are not attempting to attach any significance to Mr. Doughton's statement referred to in a foregoing paragraph. . . . We are not concerned with the political aspects or the implications of this legislation as such. . . . But everyone of us must be concerned with this or any legislation that may affect the continued stability in market values of Treasury obligations both during the time up to the successful termination of our two wars, and the period of adjustment which must follow over an indeterminate number of years. . . .

POST-WAR PRICE PROSPECTS

We believe that even the longest term taxable Treasuries will continue to sell at par or at slight premiums during post-war years. . . . Changes in corporation taxes would obviously affect the prices of partially exempt Treasuries. . . . It is probable that corporation taxes will be changed for simplification. . . . It is possible that excess profits taxes will be reduced. . . . But most emphatically, we do not believe that any important changes will be effected until after the war, or that will materially alter the privileges now enjoyed by partially exempt Treasuries. . . .

On May 23, Senator Walter F. George, Chairman of the Senate Finance Committee and Chairman of the special Post-War Planning Committee, said that any reduction in taxes depended largely upon the federal budget. . . . He admitted the possibility that the federal government could operate on a $20 billion dollar budget, and that on that basis, taxes might be reduced by about 40%. . . . He stated that a reasonable and fair tax is the hope for the post-war period, but does not see how there can be any reduction in the federal budget **for at least a full year after the war. . . .**

PRESENT MARKET ACTION

What with invasion jitters, and in the face of the Fifth War Loan, the Government market has behaved very well indeed. . . . We expect it to continue to do so. . . . Some selling of partially exempts by Mutual institutions during the next few weeks is to be expected in preparation for the Fifth War Loan, but we feel that strength in such issues will develop about the latter part of June or the early part of July. . . . Certain taxable twos may sell off slightly because of exchanges into the new 2's of 54/52, but any such declines will be temporary, with advances to follow which should carry most 2% issues to new highs prior to the end of 1944. . . .

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Electronics And Television In The Post-War World

(Continued from first page)

"The present war has caused a great acceleration of research and development work in radio and the ultrahigh frequencies—so much so that our technicians tell us that ten or fifteen years of research work have been compressed into the thirty months since Pearl Harbor.

"It is still too early to foretell what revolutionary peacetime applications may result from these scientific advances. Much of the work is still surrounded by wartime secrecy in the interests of national security. But it is not too much to hope and believe that electronics will make for greater safety in sea and air navigation and, in many respects, profoundly change our ways of life."

In addition to the normal replacement demand for radio sets, FM will become increasingly important in the post-war years, Mr. Gubb said. "Until a few months ago, we were not too enthusiastic about FM," he continued. "Only a few FM stations, mostly of low power, were on the air, and the number of FM programs was very limited. This whole picture was radically changed in January when the major broadcasting chains announced an entirely new policy of making their top-hit programs available to the FM audience and suggested to the owners of network stations that they apply for FM transmitting licenses to be ready for post-war. This new policy will have very far-reaching effects as soon as the material situation eases to the point where new FM transmitters can be built.

"Then, too, an equally important consideration is that many more FM stations can be licensed than the 900 AM stations now on the air. The fact that FM will make it possible to license several thousand more broadcasting stations should be a great relief to the Federal Communications Commission, which has had the difficult job of rationing the available number of licenses and has had the unpleasant task of turning down many applicants because of the limited number available.

"One further important effect of FM broadcasting may be to make more national programs available to the public through the possible development of additional chains. Radio set owners would be benefited by all these developments which should, therefore, result in a tremendous demand for FM receivers in the post-war period."

The greatest application of all for electronics is television, Mr. Gubb said. "Television provides a new kind of service to the public," he pointed out. "Even prior to the war, television was so far advanced that it was bringing pleasure and enjoyment to thousands of receiving set owners. Developments growing out of the vast electronic research of the war period will result in even further improvements."

"The rate at which television will grow in the next few years is somewhat a matter of conjecture," Mr. Gubb continued. "Some groups think it will progress rather slowly at first, others believe much more rapidly. The significant fact is that the revenues from television, whether they become large immediately after the war, or over a period, will add further to the proven earning power of the well-established radio companies.

"In any projection of television's future, I am reminded of the tremendous growth of radio in the years after it was first introduced. Radio had a vitality that offered the kind of new interest and excitement that gets public attention. Television gives an even better service—one with far more popular appeal. Unquestionably television will make a great place for itself and I see no reason why, when the standards are set, television should not demonstrate as great and as romantic a story of growth as radio.

"The radio-electronic industry should be extremely busy for some years to come catching up on deferred demands for radio sets, developing the great new market that FM is opening, and beginning to make television available to 135,000,000 Americans."

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Chicago Bond Traders Appoint Directors; Annual Spring Outing

CHICAGO, ILL.—At a recent meeting of the officers of the Bond Traders Club of Chicago the following were appointed to serve for one year on the board of directors: Richard W. Simmons, Lee Higginson Corp.; Jules Fellegi, Farwell, Chapman & Co.; Robert B. Krell, Bacon, Whipple & Co., and Charles G. Scheuer, Valiquet & Co.

The Annual Field Day of the Club will be held on June 24 at the Mohawk Country Club in Bensenville, Ill. Guests are welcome. Reservations should be made with Peter J. Conlan of Hornblower & Weeks.

Allen K. Sparks, F. A. Carlton & Co., is Program Chairman.

George J. Bourg With Scharff & Jones, Inc.

NEW ORLEANS, LA.—Scharff & Jones, Inc., Whitney Building, announce that George J. Bourg is now associated with them as their South Louisiana representative. Mr. Bourg was formerly with White, Hattier & Sanford and the Whitney National Bank.

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The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 159 Number 4284 New York, N. Y., Thursday, May 25, 1944 Price 60 Cents a Copy

The Financial Situation

A newly formed organization calling itself the Liberal Party issued a broad credo late last week from which we take the following:

> No modern society can long endure deflation, unemployment and depression. In meeting these economic problems we cannot depend upon laissez-faire. The depression of the Thirties proved that private action cannot provide the economic coordination and expansion which is required. The American people must now take the economic steering wheel firmly in their own hands. The Federal Government must assume the ultimate responsibility of assuring the full employment of workers and the highest possible level of production. We favor public ownership of utilities, of natural resources and of monopolistic enterprises, wherever this is necessary to maintain production or to serve other desirable social ends.
>
> We believe that our economy should be organized in such a way that the level of employment and production be based upon over-all policies planned and directed by Government toward the welfare of all the people. The economic policies of the Federal Government should be directed toward a continuing program of national development and the prevention of depressions rather than only toward the salvaging of human and material resources during depressions.
>
> If the American people assume responsibility for their economic system they can achieve levels of production which will provide a large measure of economic freedom and democracy in the years to come.

(Continued on page 2172)

Faith In The Railroads

By R. W. BROWN*

President, Lehigh Valley Railroad Company
Chairman, Eastern Railroad Presidents' Conference Committee

Railroad Executive Points To Higher Earnings, Greater Efficiency And Better Physical Condition Of Railroads As A Basis For Their Improved Credit—Observes Bank Loans and Funded Debt Are Being Reduced And Refundings Accomplished At Lower Interest Rates—Views Rail Carriers Prepared For Post-War Competition, But Ask For Equality Of Opportunity And A Sound Transportation Policy.

R. W. Brown

It is both a privilege and a pleasure to address the representatives of the Mutual Savings Banks. These institutions have always been an important outlet for railroad securities, and your policy in this respect naturally has a marked influence upon the credit of the rail carriers.

While it is true that your investments in rail securities have declined over the recent years, it is likewise true that your holdings now aggregate a sizable sum. It is apparent, therefore, that you still have some measure of faith in the railroad industry.

When your officers asked for the subject of this discussion, one of my associates suggested: "Will The Railroads Come Back?"—an inquiry sometimes heard in the investment field. But I discarded the suggestion because the railroads never left us, they are with us today—and how!

We are a transportation nation. We operate more transportation facilities and we use more transport service, than the rest of the world combined. When our forefathers centered upon the development of agriculture and the creation of industry, they immediately faced the need for transportation. Of course, the horse-drawn vehicle on land and boats on the waters, provided some transport service for commerce. But this was not enough. The development of the country could not be limited to waterfronts, and to the banks of rivers, streams and canals. We needed a transportation service that would move

(Continued on page 2172)

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*An address delivered by Mr. Brown before the National Association of Mutual Savings Banks at the Waldorf-Astoria Hotel, New York City, May 12, 1944.

Four Post-War Fiscal Problems

By BEARDSLEY RUML*

Chairman, Federal Reserve Bank of New York

Author Of "Pay-As-You-Go" Taxation Advocates (1) Reducing Taxes To Balance The Budget At High Employment; (2) Amortizing The Debt Only If Consistent With Maintaining High Employment; (3) Using a Public Works Program Only To Stabilize The Construction Industry; and (4) Avoiding Accumulation Of Social Security Reserves In Times Of Mass Unemployment.

Beardsley Ruml

It is perfectly clear that we cannot have acceptable economic and social conditions in this country except under a higher level of prosperity than we have ever known. There are some very remarkable things about the present economic, productive, industrial situation. We have added $85,000,000,000.00 worth of war production on to a consumption level that is higher than it was in 1940. In other words, the elimination of war production can result in high employment only by the corresponding increase of the current standard of living. In the aggregate, we have nothing to make up.

To make this plausible from an entirely different point of view, look at it this way: economists estimate that increases in productivity in recent decades have been on the average between 2 and 3% a year. This progress goes on because of scientific advance, technical improvement, better public health, better education, better management, improvement all along the line.

Since 1929 this improvement in method has never been translated into realized production and consumption. So for fifteen years there has been developing under the surface this increased capacity to produce. In the recent years, on account of the war, the scientific and technical advance has been very much more rapid than average.

Any way you look at it almost a generation's progress in standards of living must be made up before we will reach high employment. To put it in the other form, high employment means a standard of living a generation in advance of where we are today. It is a compelling situation of unprecedented magnitude and consequence, and our social and political system must adapt to it if it is to continue on a satisfactory basis.

Business has reason to be apprehensive from two quarters. One is from the economic regimentors who would fix prices and wages and output and the conditions of business activity generally, not realizing that in fixing all these other things that they would regiment employment.

On the other side are the economic appeasers who are beginning to tell us privately and confidentially that 8,000,000 or 10,000,000 unemployed is the statistical consequence of a private enterprise system. The unemployed will not be particularly interested in the statistical consequences and there would be more of them under those conditions than there would be of the appeasers.

I think we must recognize that the job of getting high prosperity is primarily the job of business. That is what business is for, to distribute, to employ, to produce. Fortunately, and sometimes I think we do not realize how fortunately, there is very general consensus of opinion in this country that it is the primary job of business to do that thing. Under the type of life that we have known, we can get a high level of production and a high level of employment only under private competitive enterprise.

There is no strong voice today

(Continued on page 2174)

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*An address delivered the latter part of last month before the New York Chapter, American Society of Chartered Life Underwriters.

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From Washington Ahead Of The News

By CARLISLE BARGERON

In the propaganda of politics, we shall never forget the high point of the Republicans' literary output in the 1940 campaign. There was a fellow around the New York headquarters who had conceived the idea of the most forlorn French poilu you had ever seen. France had just fallen. Here was this fellow with an expression on his face as if the world had come to an end. The legend accompanying him was "I was once a free man."

Well, sir, you would look at the picture and read the accompanying legend and you would say to yourself, and to the fellows around the office, that if this isn't something to frighten the American people against a Third Term, it is difficult to tell just what would do it. The legend went on to tell how he had fooled around with politicians. He had had confidence in them. He had had confidence in Blum. He had been apathetic as to what was happening to him. Now he was no longer a free man.

The fellows around Republican headquarters got enthusiastic about it. Thousands and thousands of copies were distributed. About two days before the election a couple of Republican propagandists were having dinner with a fellow propagandist from the Democratic headquarters. They asked him if he didn't think this was the greatest stunt ever devised by propagandist men.

Calmly, the Democrat said no. The message conveyed in this literature, he pointed out, was the same message the Democrats were sounding. They, too, were warning against what had happened to France. They, too, were shouting for the preservation of Democracy. A person reading this dodger would not understand that it was an appeal against the New Deal at all.

That is getting to be the same situation in this campaign. The New Dealers are out-shouting the Republicans for the preservation of Democracy. The average person is likely to get the impression that both parties are shouting for the preservation of the same thing. The most vociferous exponent of Democracy around these days is Henry Wallace. Before him it was Harold Ickes.

This gets us to pointing out the greatest piece of political pageantry we have seen in a long time. Here in Washington, you see a concrete example of the New Dealers preserving Democracy. It is all right for the Republicans to talk about saving it, but here is a definite example for the New Dealers doing it.

The Administration dug up 30 persons, scattered around about the country, and charged them with attempting to incite the armed forces. It is what is known

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False Assurance

"The test that will be hard to pass will come after the extraordinary post-war demands have been satisfied and our business settles down to supplying the continuously recurring demands of a long stretch of peace. Can we then maintain a high level of employment, year in, year out?

"Experience answers 'no.' Our business record has been one of alternating expansions and contractions. Only near the peak of our most vigorous expansions have we approximated full employment, and no approximation in peacetimes has been so close or lasted so long as the approximations achieved during major wars. Unless we can learn to manage our affairs more skillfully in the future, we must look forward to an indefinite series of cyclical depressions, some relatively mild, some drastic. . . .

"By finding the causes of recurrent alternations of expansion and contraction, investigators have hoped to discover how contractions can be averted. The number and diversity of the diagnoses and prescriptions offered, long a reproach to economics, stems from the inability of investigators to determine how adequately their own and one another's explanations account for what actually happens during a business cycle. Even the 'theories' most fashionable today are really untested hypotheses. **Yet some of their advocates offer practical guidance to government and public with an assurance that contrasts painfully with the caution of responsible physicians in treating imperfectly understood disorders of the body."**— Wesley C. Mitchell.

If only the public could be adequately impressed with these quiet words of the "dean" of all students of business cycles!

We should hear a good deal less of Keynes, Hansen et al!

The State Of Trade

Business and industry have made a notable contribution to our war effort, this fact being generally known to all. The need for reiteration would be unnecessary were it not for the fear expressed in some quarters that to acquaint our people with the splendid progress thus far achieved would tend to bring about a relaxation of our efforts and thus jeopardize an early termination of the war. Senator Harry S. Truman, Chairman of the Senate War Investigation Committee, stressed this very point the present week in a talk before the Brooklyn Chamber of Commerce. The Senator voiced his criticism of the War Department for withholding cheering news of our war production and made the observation that the time was opportune for a gradual return to the manufacture of basic civilian commodities. Pointing out the fallacy of such a policy that will lead to a peace in which the returning millions of this nation will be without work, he urged that surpluses not required for war materials or essential civilian items be made available to all manufacturers. By initiating such a program, the Senator contended, it would provide consumer goods, lessen the dangers of inflation, permit an orderly resumption of peace-time economy, and provide opportunities for small business and new enterprises. Concluding, he stated the Government must relax or remove war-time restrictions as rapidly as possible, adding that his committee was opposed to suggestions that Government agencies should determine what manufacturers should be permitted to make civilian goods, what goods they are to make and under what circumstances they can sell those goods. The Senator's remarks are most timely, considered in the light of the many cancellations of war contracts now occurring and growing more numerous as the war enters its final phases.

Reviewing the results of trade and industry the past week, it is noted that while variations have occurred in industrial activity, dictated in the main by the exigencies of war, production as a whole has continued generally well sustained, with the trend of electric output, freight car loadings and bituminous coal output higher. Paper production last week was lower, and scheduled output of steel ingots and castings the present week is again expected to show a slight decline from the preceding week. The expansion in wholesale and retail trade apparent throughout the country in previous weeks was maintained last week with demand for women's apparel, accessories and seasonal lines especially marked.

In the field of electric production, results reveal that output of electricity advanced to approximately 4,238,375,000 kwh. in the week ended May 13 from 4,233,756,000 kwh. in the preceding week, as reported by the Edison Electric Institute. The latest figures represent a gain of 6.8% over one year ago, when output reached 3,969,161,000 kwh. Consolidated Edison Co. of New York reports system output of 179,300,000 in the week ended May 14, and compares with 176,500,000 kwh. for the corresponding week of 1943, or an increase of 1.6%.

The urgency of some war requirements, coupled with a threat to steel production through an increasing man-power shortage and approaching hot weather has caused heavy pressure for shipment of flat-rolled steel to continue, with mills being pushed to their limit, says "Steel" magazine in its market summary this week. Allocations for the third quarter have been reduced 5%, apparently in recognition of this situation. In some quarters the belief is that the decline in output will exceed this figure as a result of the heavy strain on equipment from record-breaking operations of recent months, the market summary states.

New landing craft and merchant ship programs scheduled to get under way soon is looked to bolster orders for plates and sheets, which have shown contraction. Output of sheets, particularly, will be stimulated by the landing craft program, with some tentative inquiries for this purpose already appearing.

With respect to plates, "Steel" reports, "about 125,000 tons of hull steel, mainly plates, will be placed soon for 24 tankers to be built by Sun Shipbuilding & Dry Dock Co., replacing 30 cargo ships transferred to Pacific Coast yards. Steel Requirements Committee of WPB is said to be faced with the problem of placing an additional 195,000 tons of shell steel, 200,000 tons of sheets, an additional 12,000 tons of tin mill products, and 104,000 tons of plates for third quarter. Carryover by some mills is increasing steadily, in some cases as much as 10 days. As a result more directives are probable to handle this excess. This is expected to set back deliveries on contracts now scheduled for June and third quarter from two to six weeks. "Bar deliveries are extending and range in most instances in August and September, smaller sizes being most easily placed. Most plate mills are booked solidly into October on sheared plates with substantial backlogs beyond, but some tonnage is available in September. Universal plates can be obtained in late July and August."

The prospects for export of general steel are expected to be well sustained through the last half of the year, according to the magazine. Expectations point to a reduced tonnage to Great Britain, which is likely to be more than offset by Russian requirements, now tentatively placed at about 250,000 tons. Great Britain's quota even after curtailment is set at about 500,000 tons in the last half, the summary reveals. As for Russian business in the post-war, negotiations are reported under way for huge industrial equipment orders estimated to $2,000,000,000 to $3,000,000,000 a year for a decade.

A move has been made by the OPA to prevent speculative buying of pig iron now that allocations have been dispensed with and the metal can be sold to resellers as well as to consumers. The incentive for resellers has been removed with an amendment, which provides that no person can charge more than the maximum prices for iron. The supply and demand of pig iron continues well balanced, with more going into foundry mixtures in the shortage of cast scrap, although the problem of man-power works against the amount of tonnage the foundries can process, the magazine reports.

As for the rate of steel production, the American Iron and Steel Institute places scheduled output for the week beginning May 22 at 98.4% of rated capacity, equivalent to 1,762,600 tons of steel ingots and castings, a decline from recent new highs established in the United States. Scheduled output for the current week compares with operations at the rate of 99.2%, and output of 1,777,000 tons a week ago. For the week beginning May 22, last year, steel output totaled 1,719,500 tons, and the rate was 99.3% of capacity.

Some relief from the shortage of telephones for civilian use, existing since the latter part of 1942, was indicated the past week by the authorization of the WPB, which will permit the manufacture of civilian instruments at a rate of 200,000 sets a quarter. Production is expected to get under way about the third quarter, with initial deliveries beginning during the fall. Military and associated civilian war requirements will take precedence over all other demands, and since the need for additional equipment in the Pacific Coast area is urgent, it will be the first section of the country to benefit by the new relaxation. There exists at present a backlog of 1,250,000 orders, with new orders building up at a rate of approximately 100,000 a month, and this being the case, officials contended that the resumption in production for civilian purposes will only partially meet essential demand.

With respect to freight carried by the railroads carloadings of revenue freight for the week ended May 13 totaled 868,309 cars, the Association of American Railroads announced. This was an increase of 31,331 cars, or 3.7% above the preceding week this year, and an increase of 19,277 cars, or 2.3% above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 29,255 cars, or 3.5%, is shown.

Shipments by manufacturers in the month of March declined by about 2% from the preceding month, with most of the falling off occurring in the durable goods industries. Deliveries of automobiles and other transportation equipment figured prominently in the decline, being 13% and 4%, respectively. At the end of March the value of manufacturers' inventories was estimated by the Department of Commerce at $17,540,000,000, or more than $100,000,000 below the level of February, but $150,000,000 higher than that of March 31, 1943.

Bituminous coal output for the week ended May 13 reflected an increase of 450,000 net tons from the preceding week at 12,570,000 tons, and a rise of 473,000 from a year ago, when production for the comparable week was 12,097,000 tons, as reported by the National Coal Association. Output to date—Jan. 1 through May 13, 1944—aggregated 235,405,000 tons, as against 224,658,000 tons for a like period in 1943.. The report of the Solid Fuels Administration placed production for the week ended May 6 at 12,150,000 net tons, against 12,360,000 tons in the preceding week.

A decline in cotton consumption was noted for the month of April from a report of the Census Bureau. Cotton consumption dropped to 776,007 bales of lint and 110,359 bales of linters in April, from 902,102 and 115,502 bales, respectively, in March of this year, and 939,178 and 104,701 bales in April one year ago. For the nine months ended April 30, consumption was placed at 7,580,279 bales of lint and 985,875 bales of linters, as against 8,439,480 and 998,366 bales in the corresponding period a year ago.

Paper output for the week ended May 13 was equal to 89.6% of capacity, against 91.5% (revised) in the preceding week and 91.1% for the week ended May 15, 1943, the American Paper & Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 95% of capacity, against 98% in preceding weeks.

Marked activity was noted in retail trade in New York last week, with seasonal apparel, accessories and household lines in good demand. Estimates of department store sales were set at 15% or more above the same week of 1943. The coat and suit market was enlivened by buyers for fall purchases. According to the Federal Reserve Bank's index, sales in New York City for the weekly period to May 13 advanced by 30% over the same period of last year. For the four weeks ending May 13 sales rose by 12%, and for the year to May 13 they improved by 7%.

Summer merchandise in most sections attracted much interest the past week, resulting in increased sales. Demand for women's apparel, garden wares and accessory lines was especially marked, according to Dun & Bradstreet, Inc., with a noteworthy increase also among uniform tailors, eating places, hotels and the smaller jewelry stores. The approaching wedding season stimulated interest in household effects such as coffee trays, chinaware and knick-knacks. There was, likewise, improvement in wholesale volume over the previous week and a similar period last year. Fall apparel was plentiful and orders large, the same source reports. Textile markets and mills were not overlooked and were reported sold out from 60 to 90 days ahead.

In the wholesale field tightness was evident, with civilian deliveries slow and fresh fruits short. Trading in canned goods was light, while household deliveries were back from four weeks to six months. Improvement occurred in bathing suits and cotton dresses with a return of better weather conditions, immediate delivery being sought. Towels also found a ready market, with everything available taken, the above authority disclosed.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, moved upward by 31% for the week ended May 13, compared with the same week a year ago. It should be noted that in the latest week the sharp increase reflects in part the fact that this year Mother's Day was on May 14, whereas last year it fell on May 9, while sales for the four weeks' period ended May 13 advanced by 10% over a similar period a year ago. For the year to May 13 an increase of 6% was noted over a like period in 1943.

A modest increase was reflected in dividend disbursements by corporations the past month. Cash payments in April amounted to $300,800,000, or an increase of 1.3% over the same month a year ago, the Department of Commerce reported. April's distributions brought the total for the first four months of 1944 to $1,076,300,000, a gain of 2.2% over a similar period in 1943.

Survey Of World Affairs Featuring 18 Courses To Be Given By Columbia School Of Business

A survey of world affairs from the geographical point of view will be featured in a program of 18 courses to be given by the Columbia School of Business during the 26th Summer Session of the University which begins July 3 and extends through August 11, it is announced by Dean Robert D. Calkins. Lecturers and their topics include: Professor Guy-Harold Smith of Ohio State University, "The Raw Material Position of the United States"; S. W. Boggs of the State Department, "International Boundaries"; Professor George B. Cressey of Syracuse University, "Soviet Russia and the Far East".

The School of Business will provide summer instruction in accounting, advertising, banking, economics, finance, geography, labor relations, law and marketing. Professor D. L. Dodd will direct studies in investment management and security analysis and corporation finance. Professor H. F. Otte will conduct a geography course in world industries and resources. Dr. Ordway Tead will be in charge of work in personnel administration.

Professor H. K. Nixon will analyze the elements of marketing and the principles and problems of advertising. Courses in banking and business, and foreign exchange and international banking will be given by. Professor J. M. Chapman. Courses in accounting will be given by Professors R. B. Kester, H. A. Inghram, and T. W. Byrnes, and K. L. Baker. An auditing laboratory in accounting will be conducted by Professor T. W. Byrnes. Dr. Elcanon Isaacs will give a course in business law.

What Kind Of Land To Buy?

Roger W. Babson Talks To The Women

BABSON PARK, MASS.—As I have said before, I expect a few years of good business, after a short readjustment, following the collapse of Germany. About 1950, however,—unless a marked spiritual awakening develops in the meantime—business will be headed for a tailspin. It is impossible now to forecast what will happen during the years following 1950. If Russia is at that time able to give her people a satisfactory standard of living with full employment, America will then surely turn to the left with a vengeance; but if then, Russia has not made good economically, the New Deal will be thrown out the window and America will turn to the right. This is very important for readers, who are contemplating buying any land other than for cash, to keep in mind. If not for cash, be sure you can pay in full before 1950. I certainly would want to be out of debt by 1950 or before, if possible.

Roger W. Babson

Post-War Farming

As a hedge against inflation, it is well to own free of debt a small place with sufficient **good** land to feed your own family, provided you have some other job to supply you with cash. A small five or ten acre farm, with good soil and water conditions, should be excellent **insurance.** Commercial farming, however, will be just as dangerous in the years to come as it was in pre-war days.

Each year it will be more and more difficult for the average commercial farmer to compete with the great mechanized farms which are developing in this country and will develop throughout the world after this war is over. I also fear that even these large mechanized farms may also be headed for trouble due to political interference and regulation. Therefore, as a sound business, commercialized farming does not appeal to me as a post-war investment.

Take Your Wife's Advice

It is true that the price of good farm land is on the up-grade and much of it will sell at even higher prices, but it is as dangerous to speculate in land as to speculate in anything else. This especially applies to those owning commercial citrus groves, fruit orchards, potato acreage and market gardens which have been paying big profits during the war. After the war the prices of such land could drop again to former pre-war prices. Now may be the time to take your wife's advice and sell, leaving the money in the bank and buying the same property back again a few years hence at half the price.

By the way, it has always seemed to me very unfair that husbands can put their families in debt without the approval of the wife. It is true that a man cannot **sell** land without his wife signing the deed, but he can buy a whole township without her having anything to say about it! The women's club should get legislation passed to the effect that no deeds to land can be "recorded" unless—in the case of married persons—the purchase is approved by both husband and wife in the case of both sales and purchases. I am gradually coming to the conclusion that women have a better sense regarding real estate, mortgages, etc., than have most men.

Where To Settle

One thing sure, if I were a woman, I should hunt up a man for a husband who lives in one of the ten Community Property States. These are as follows: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Oklahoma and Oregon. These States are fairest to women. In these States a wife is entitled to half of her husband's income. If both are wise, they will make a settlement at the end of each year and have their own safe deposit boxes and bank accounts. Even the states under the Old English common law are better for wives than are those states which still treat women unjustly.

Good land, good wives and good children are the best possible investments. But just having them "good" is not enough. When settling down for a home and family, be sure that **you** select the right State and the proper location within that State. Consider climate, taxes and opportunities. Service Men returning from the war should especially consider these things. Be willing to spend some time and money in locating in the right spot considering your own physical, mental and spiritual characteristics.

* * *

P. S. Please do not write me for legal advice. The last time I mentioned "community property," I received several hundred letters. I know something about the laws of Massachusetts, but cannot keep posted on the laws of the forty-seven other states.

Memorial Services For Veterans Of N. Y. P. O.

The annual memorial services for the Veterans of the New York Post Office who died during all of our wars, was held in the lobby of the General Post Office, Eighth Avenue and 33rd Street, on Tuesday, May 23, at 12 noon. Commander Eugene T. Crum and more than a thousand members of Dan Tallon Post 678, American Legion, the largest post of the Legion in the State of New York, and composed entirely of postal employees, were present at the ceremonies. The drum and bugle corps of the Dan Tallon Post supplied the music for the program, and Past Commander Ralph Jones presided.

Addresses were delivered by Postmaster Albert Goldman and W. E. Lewis, New York's State Commander of the American Legion. The invocation was rendered by Rabbi L. I. Newman of the Congregation Rudolph Sholem, and the benediction was offered by the Rev. L. A. Edelblute of the Holy Apostles Church.

Also participating in the ceremonies were John Jacob Astor Camp No. 98, United States Spanish War Veterans; Jesse Palmer Post No. 1068, American Legion; General Theodorus Bailey Post No. 104, Veterans of Foreign Wars; Railway Mail Service Post No. 957, American Legion, and Postal Garrison No. 1639, Army and Navy Union. The members of these organizations are active or retired postal employees.

Postmaster Goldman presented certificates, issued by the Dan Tallon Post, to the next of kin in memory of those who made the supreme sacrifice. At the conclusion of the ceremonies, the Postmaster, State Commander Lewis and Commander Crum placed a wreath on the bronze memorial tablet located in the Post Office lobby.

English Gold And Silver Markets

We reprint below the quarterly bullion letter of Samuel Montagu & Co., London, written under date of April 1.

Gold

The amount of gold held in the Issue Department of the Bank of England was unaltered at £241,718.

The Bank of England's buying rate for bar gold remained unchanged at 168s.0d. per fine ounce, at which figure the above amount was calculated.

The gold output of the Transvaal for the months of January and February, 1944, is given below, together with the figures for the corresponding months of 1943 for the purpose of comparison:

	1944 Fine ounces	1943 Fine ounces
January	1,029,398	1,074,754
February	969,017	1,011,672

Silver

The first three months of the year were quiet, with the price remaining unchanged throughout the period at 23½d. per ounce standard for both cash and two months' delivery. Purchases for industrial purposes connected with the war effort were well-maintained, and this demand was met mainly from official stocks, but with some offerings on occasion from production sources.

In Bombay, prices covered a wide range during the period under review. The lowest quotation was Rs. 117-2-0 per 100 tolas, equivalent to about 52d. per ounce standard, on Jan. 12, after which prices advanced steadily, the rise being accelerated towards the end of March by bear covering and speculative buying; the quotation on March 29 touched Rs. 140-0-0, which is equivalent to about 62⅛d. per ounce standard and is a new war-time peak price.

An interesting report was received from Teheran on March 29 that about 16,000,000 ounces of silver had been sold through the National Bank of Iran to the Government of India; it was stated that the silver had already been forwarded to India.

According to information received from Bombay early in February, a new Government notification has been made to the effect that seven days will now be allowed for delivery of silver and gold instead of the two clear working days to which forward dealings were limited by a notification issued last September.

FDR Lauds Contributions Of Latin-American Nations To Hemisphere Defense

Advices to the effect that the American Nations must prepare now for readjustment of economics after war production passes its peak, were conveyed to the Conference of Commissions of Inter-American Development in a message from President Roosevelt, read to the Conference in New York on May 9, according to the Associated Press, the President praised the contributions of Latin-American nations to hemisphere defense and said:

"But many tasks requiring joint effort among the Americas remain. One of the most important jobs is preparation for the time when we will have to readjust our economics after war production has passed its peak.

"How well we succeed in making a smooth transition from war to peace will depend in large part upon how we prepare now."

General Henry H. Arnold, Commanding general of the United States Army Air Forces, in addressing the Conference, told the delegates that without the cooperation of the Latin-American nations "the victory which we can now with certainty foresee would have been less clear."

Economist Urges Amendments To Price Control Act

Dr. Ivan Wright, Secretary Of The Economists' Committee On Reconversion Problems Suggests That Specific Provisions Be Inserted Prohibiting Profit Limitations

Important amendments to the Emergency Price Control Act of 1942 before its re-enactment by Congress were urged on May 22, by Dr. Ivan Wright, Professor of Economics at Brooklyn College and Executive Secretary of the Economists' Committe on Reconversion Problems.

Dr. Ivan Wright

Dr. Wright declared that before the Act is extended changes should be made, among other things, to specifically prohibit the use of the Act for regulation of business profits, by limiting or fixing them.

He suggested revisions designed to:

1. Assure that the production of essential civilian goods can be resumed as war production is cut back during the remainder of the period of hostilities.
2. End the fear that wartime price control will be used to undermine and weaken the private enterprise system.
3. Limit price control to the necessary objective of wartime price stabilization, without pursuing ulterior social and economic reforms that bear no relation to that objective, and are of very dubious wisdom at best.
4. Insert a special section covering the particular problem of reconversion pricing.

"With these objectives in view," Dr. Wright said, "I suggest the following amendments to the present law:

"(1) Specific prohibition of the use of the Emergency Price Control Act to regulate business profits.

"This could be done by amending Section 2 (a) to strike out the words 'and general increases or decreases in profits earned by sellers of the commodity or commodities, during or subsequent to the year ended Oct. 1, 1941.'

"In addition, Section 2 (b) should provide:

"Section 2 (b)—Nothing in this Section shall be construed to authorize the Administrator to limit or fix profit margins in industry or trade.

"(2) Insert a new Section 4 covering reconversion pricing, as follows:

"Section 4 — When an industry which has been largely or entirely converted to war work finds itself in position to resume the manufacture of civilian goods, formal application for price readjustments shall be made to the Administrator as soon as practicable. The Administrator shall consider increases in costs that have occurred since Oct. 1, 1941, the effect of operations at a low rate of capacity, the amount of investment in fixed or working capital that will be required to reconvert, and the risks involved. Price readjustments should then be granted that will permit manufacturers, with reasonable efficiency of operation, to realize the same gross margin that they were realizing on Oct. 1, 1941, or if they were not making such civilian goods on that date, on the last date when they were in production on these goods.

"Nothing in this Section shall be construed to authorize the Administrator to require manufacturers to reduce prices on some products to offset readjustments granted under this Section, or to require compulsory pooling or cartels among manufacturers of these goods."

ABA Agricultural Commission Warns Banks Of Rising Farm Real Estate Prices

Attention to the upward spiral of farm real estate prices which appears to be in progress was called to the banks of the country in a bulletin sent to members of the American Bankers Association on May 18 by Otis A. Thompson, Chairman of the Association's Agricultural Commission, and President of the National Bank and Trust Company, Norwich, N. Y. Mr. Thompson points out that the nation's farm land prices as a whole have risen 15% during the year ended March 1, and are now 38% above the average prices prevailing during the four years immediately preceding World War II (1935-1939).

"We are bombarded with warnings that farm land prices are following the pattern of 25 years ago and that a boom is in the making," says Mr. Thompson. The bulletin contains a map of the United States, showing the farm real estate prices in 1920, 1933, 1943, and 1944, based on the average for 1912-1914. It urges bankers "to check the figures for their own State to compare them with those prevailing in their community and to discuss the farm land price situation with their farmer friends and at all meetings with bankers." It lists seven factors in the farm land price situation that bankers should be thinking about. These are:

"1. More sales of farm real estate in 1943 than ever before,—even in 1919.

"2. The number of farms resold at a profit after only a short period of ownership is increasing considerably.

"3. While about one-half of the farms changing hands are sold for cash, one-third of the other sales involve mortgages for 75% or more of the value of the property sold.

"4. Many city people are reported buying garms, not to operate themselves, but to hold as a hedge against inflation.

"5. Average land values in 13 of the leading farm States have risen more than 50% above pre-war levels.

"6. Present farm income is highest on record. Likely it will go down sometime after the shooting stops, as it did in the period following World War I.

"7. The trends in agriculture shown on page 4 of this bulletin seem to follow, in the main, those of World War I."

"The present situation is more hopeful than that of 25 years ago," Mr. Thompson said in his letter accompanying the bulletin, "because bankers and farmers are aware of the dangers of a land boom and are thinking about ways and means of avoiding the cataclysmic effects of any break."

The Financial Situation

(Continued from first page)

We have no particular interest in this new political entity, which appears to have as its main purpose in life the support of candidate Roosevelt, the promotion of the cause of Mr. Wallace and the furtherance of the New Deal in all its manifestations. Its program, or that part of it just quoted, is of signficance primarily because it well typifies so much of the nonsense that is so often repeated by so many of divers political faiths concerning the post-war era, what it is likely to bring forth, and what so many star-gazers promise that it shall be like—and because there is reason to fear that all too many of us, hearing and repeating such things so often, are in real danger of believing them. In that situation disaster lurks.

Only a day or so before this new "liberal" group set forth its yearnings, a keener mind took occasion at one of the meetings of the Conference Board to warn of the tragedy likely to flow from constant preachment of such deceit to the men in the armed forces. Upon that occasion, Virgil Jordan said in part:

> Let us not tell these sons and brothers of ours that we, or labor, or government, are going to guarantee them economic security in any sense and still leave them their civil liberty and personal freedom, if they still want it. It is not true. . . . Let us tell them rather that nobody can pledge them full employment as workers or permanent purchasing power as consumers without depriving them one by one of every individual freedom they have. Let us tell them frankly that no one can fix a national income figure for a people or enforce a statistical standard for employment or payrolls or consumption and still leave everything, or anything, about the life, labor or thought of everybody or anybody as it was before. Let us tell them instead that nobody, business or government, can plan tomorrow's employment for anyone without planning his occupation, spending, saving and consumption for him. . . . Let us not pretend to them that, for the first time in human history, something has happened in America while they were gone that makes the words "national planning" mean anything different in the end from personal compulsion. . . . These boys may come back believing that civil liberty is less important or less problematic in the future than a full belly. . . .
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> Above all, let us not tell them, that because business or government did not and could not give them both freedom and full employment, either in the Thirties or at any time before in the past century and a half, business betrayed them or the American idea has failed. They are being told this day by day, as we have been during the past decade, not only by the word-changing wizards in Washington but by business men and labor leaders, and it is a falsehood more cruel than any wound of flesh or faith this war will inflict upon them. The self-betrayal that lies beneath any such confession of sin or repudiation of the past on the part of business or labor leaders, is a brutal breach of trust to the millions of sons and brothers who are defending us, for it destroys their faith in America and abandons them to the darkness and despair of dependence on the State which is the spirit of that hopeless purgatory of Europe and Asia where they are.
>
> Let us not confirm to them by our confusion and fear the falsehood that business in the Twenties, or at any other time, was a thing apart from everyone else in America, a collective group of people with complete power and sole responsibility to make prosperity or depression for everyone else, which they were too wicked, selfish or stupid to use with the wisdom, benevolence and purity which has since been permanently established in public office. . . . The errors or crimes, the ignorance or greed, the indolence or injustice, which may have brought down the great depression of the Thirties, or any of the past, were the common weaknesses of all, to which none in the community were immune, in America or elsewhere in the world. . . . To pretend otherwise is worse than falsehood. It is treason to the spirit and faith of American life. It is a shameful incitement to class strife in the American community, and business leaders, above all, should be humiliated that any among them should lend themselves to it, for whatever purpose of passing popularity or power.

Certainly the men in the armed forces need such a champion. May unlimited success attend his efforts. Yet the danger is much broader than is thus indicated. Many are being deceived at home, too; indeed, one often suspects that—worst of all—the larger number of us are deceiving ourselves about many of these things. Nor need the speaker have limited his remarks to the incompatibility of statism and personal liberty. No one can promise the more abundant life through collective action of the sort in question with or without personal freedom. If the reformers and the others think they know how to eliminate what has become known as the business cycle, their confidence is but evidence of their ignorance or lack of judgment.

And so it is with most of the "advanced planning" for post-war. It is deception; it is self-deception; it is extremely hazardous. Let it proceed much further, and it might take a century or two under the most favorable circumstances to remedy the damage that may be done.

Ahern Named Pres. Of Kings County Bankers

William J. Ahern, Assistant Vice-President of the Bank of the Manhattan Company, was elected President of the Kings County Bankers Association for the ensuing year at the annual meeting of the Association, held on May 16 at the Brooklyn Club, 131 Remsen Street, Brooklyn. Charles Oldenbuttel, Vice-President of the Peoples National Bank of Brooklyn, was elected Vice-President; John J. Hayes, Assistant Vice-President of the Manufacturers Trust Company, was elected Second Vice-President, and William J. Grange, Executive Vice-President of the Citizens Bank of Brooklyn, was re-elected Secretary and Treasurer.

The following were elected members of the Executive Committee of the Association, in addition to the President and First Vice-President who serve ex-officio: George P. Kennedy, President, Lafayette National Bank of Brooklyn; Harold F. Klein, Assistant Secretary of Brooklyn Trust Company, and J. H. Lawrence, Assistant Vice-President of the Public National Bank & Trust Company.

Results Of Treasury Bill Offering

The Secretary of the Treasury anounced on May 23 that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated May 25 and to mature Aug. 24, 1944, which were offered on May 19, were opened at the Federal Reserve Banks on May 22.

The details of this issue are as follows:

Total applied for, $1,951,360,000.

Total accepted, $1,207,114,000 (includes $57,022,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905 equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(56% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on May 25 in the amount of $1,007,677,000.

Faith In The Railroads

(Continued from first page)

products everywhere throughout the land.

Then came the railroads and they met our transportation needs. The country grew rapidly. Trade and commerce increased. The people prospered and living standards improved. During the greater part of a century, we were largely dependent upon the railroads for the movement of traffic, and they are today the backbone of our transportation system. No substitute has yet been devised upon which the public could depend for the mass transport service now furnished by the railroads.

However, as a people we take most everything for granted. We accept improved service as a commonplace and immediately demand more of it. We assume that we have always had it and we give little thought to the forces necessary to its creation. As a result, we paid little attention to the well-being of the railroads prior to the first World War. As long as the carriers provided satisfactory service and did not ask for increased rates, we assumed that they were all right. When times were good, we were friendly to the rail carriers. When times were bad, we were inclined to be critical of management.

But the first World War, with a governmental operation of the railroads, finally aroused public interest in the rail carriers. And the end of the war brought a nation-wide demand for a sound railroad policy. The Transportation Act of 1920 was the result. This Act really constituted a partnership. It obligated the railroads to provide the kind of a railroad system the country needed. In return, the carriers were to be permitted to earn a fair return on the capital invested in their transportation facilities.

That railroad management discharged its obligation under the Transportation Act, is admitted. That rail earnings fell far short of a fair return, is common knowledge. When the railroads emerged from governmental control in 1920, they were not in the best of condition — physically or financially. Therefore, the job of rehabilitation could not be done overnight. It required a little time and it cost money. Millions of dollars went for the betterment of roadway and structures. More millions were spent for modern locomotives, cars, signal systems, safety devices, and the like.

While management was later criticized for these expenditures, the performance of the railroads over the past two decades has more than justified them. But what is more important, the people got the kind of rail service they wanted. In a relatively short period of time, traffic was moving on dependable schedules—faster and safer than ever before. At the same time, the volume of trade and commerce rose; railroad earnings increased; the credit of the carriers improved; and investors evidenced renewed faith in rail securities.

But before better earnings enabled the carriers to absorb the rehabilitation expenditures on a sound financial basis, the post-war prosperity had vanished. A business depression had arrived for a long stay. Traffic volume of the railroads drifted to low ebb and earnings disappeared. Investors again lost faith in rail securities and the credit of the carriers vanished.

But railroad managers were not discouraged. They remained hopeful although there was little reason for optimism. Even during the depression, the railroad industry made substantial progress. Year after year, management established new high records for efficiency in railway operation. Improvement programs were progressed as far as resources would permit. When the European disturbance started in 1939, these programs were speeded up. And when the war was brought to our shores—the railroads were ready.

But management took no chances—they endeavored to keep ahead of the wartime traffic demands. During the four years 1940-1943, the railroads spent more than 1¼ billion dollars for new and improved equipment. They installed nearly 238,000 new freight cars and more than 2,500 new locomotives. More than 700 million dollars went into the betterment of roadway and structures. These improvements were planned and executed solely for the purpose of handling more traffic. The total expenditure was financed by the railroads themselves. Government was not asked to help.

Today, equipment in need of repairs has been reduced to an all-time low point. In 1939, nearly 14% of all freight cars and 20% of all locomotives were awaiting repairs. Less than 3% of the freight cars and only about 5% of the locomotives are now going through the shops.

As a result, the railroads are producing more units of transportation service than ever before. Each day they haul nearly 4½ million tons of freight an average distance of 500 miles. Each day they carry about 2½ million people an average distance of more than 150 miles. This is an average of more than 100,000 passengers for every hour of the day and night—the equivalent of the population of many of our important cities. On the average, a freight or passenger train now leaves a terminal every two seconds. In 1943, the railroads handled more than twice as much inland freight and passenger traffic as was carried by all other commercial transportation agencies combined.

There is now a popular idea in some quarters that the railroads are too prosperous—at least more prosperous than any railroad ought to be. Of course, the railroads are doing better than they did in the depression years. And this is true of most lines of business. However, I hope railroad history is not about to repeat itself. Every time the railroads manage to get five or six steps ahead of the sheriff, there are always those who want to lop off the earnings and put the roads back in the bread line. We seem to forget that the railroad share of national prosperity has always been too little—and most of the time, it has come too late for the public good.

While the Transportation Act of 1920 carried a hope that the carriers would be permitted to earn the so-called fair return, the fact is that the railroad industry did not earn this fair return in a single year of the period during which the fair return provision was in effect.

During the decade 1921-1930, net income after taxes and fixed charges, averaged $613,692,000 annually. This period included the prosperous years which followed the first war. Over the next ten years 1931-1940, net income averaged only a little more than $40,000,000 annually. This period included the depression years following the business collapse of 1929.

Over the entire twenty-year period 1921-1940, net income averaged less than 327 million dollars annually. These figures speak for themselves. They certainly do not indicate high rates or excessive earning power for a 27 billion dollar industry which is essential to the national welfare. This is true particularly when we realize that over this same period, more than 10 billion dollars went into the improvement of railroad plant and equipment.

During the past three years 1941-1943, net income of the carriers has arisen to an average of about $758,500,000 annually. And the credit position of the industry has likewise improved. Here we have a clear illustration of the difference between a starvation ration and a living wage for the railroad industry. We also have a demonstration of what railroads do with money—when they are permitted to earn it.

Better earnings have enabled the rail carriers to put their house in order. Bank loans and other obligations, contracted during the depression years, are being paid. Funded debt is being reduced. Reserves are being set aside for renewals and betterments in the post-war period. Improved credit has encouraged refunding of long-term debt at lower interest rates. There can be no quarrel with this policy—it is definitely in the public interest.

But what is more important is the fact that present rail earnings are not the result of high rail rates, fares and charges. The average ton mile rate is now only a little more than nine mills. Think of it—less than a penny for moving the average ton of freight a distance of one mile. And what is still more important, this is the total cost of the service—it is all that any one ever pays for it. It should be apparent, therefore, that present earnings are the result of a high traffic volume and efficient operation—and not excessive rates.

Moreover, these low rates and charges are being maintained in the face of rising costs of railroad operation. Since 1939, the average hourly wage rate of railroad employes has increased more than 23%. Average annual compensation—the take-home money—has increased 38%. The cost of fuel, materials and supplies has risen nearly 30%. In 1939, rail taxes were less than one million dollars a day—they are now more than five million dollars daily.

Furthermore, the railroads have made voluntary reductions in rates in order to ease critical situations created by the war. and as a direct aid to the war effort itself. There are also greatly reduced fares for members of the armed forces traveling on furlough. These voluntary concessions aggregate a sizable sum each year.

This wartime record of the railroads speaks for itself. But it is not something that just happened. On the contrary, it is the result of planning and preparation for more than twenty years. But in spite of this fact, there are those who always find it difficult to have faith in a railroad system which is the envy of every nation in the world.

When the railroads emerged from governmental control in 1920, management was criticized for not having plant, equipment and facilities that would take care of our trade and commerce. Ten years later business collapsed and management was criticized for having too much plant, too many facilities, and a surplus of equipment. In fact, there were those who insisted that one-third of the railroad plant should be junked.

But while we were trying to decide what portion of the plant could be scrapped, another ten years rolled by and management again faced the question—are the railroads equipped to handle the traffic demands of war. For the past five years, there have been dire predictions that the railroads would fail—that a break-down in rail transport was just around the corner. Nevertheless, the railroads have given a good account of themselves in this war. Moreover, they will continue to meet the test—if they are able to secure the manpower necessary to operate the roads efficiently.

The railroads are sometimes compared with other industries. But there is a marked difference. When the country is normal, other industry enjoys a greater measure of freedom than do the railroads. When times are good, industry generally is relatively free to earn money, and the public looks upon this earning power with approval. It can be liberal with stockholders, strengthen credit position, and create reserves for the future. When times are bad, it is free to reduce operations or even to close plants.

But the railroads cannot do these things—they operate in a somewhat restricted field. Rates, fares, and charges—the selling prices of railroad transportation, are controlled by government. Wages constitute the largest item of operating cost, and a governmental agency assists in the determination of railroad wage rates. Furthermore, the railroads cannot shut down—they must offer service day and night for any traffic that may be moving, and regardless of whether the volume is large or small.

While the railroads may have encountered difficulty in creating cash reserves in the past, they should certainly be permitted to create them in the future. If there was ever a time when the railroads should prepare for the rainy day—that time is now. This war is demanding a more intensive use of railroad plant and equipment than ever before. It goes without saying, therefore, that the carriers will emerge from this war with deferred maintenance, and the need for replacements all along the line.

There is much maintenance and replacement work which could be done now if the carriers could secure the necessary materials, supplies, and manpower. The work is being deferred solely as a result of wartime conditions. However, the carriers would be glad to set aside reserves to cover deferred maintenance and replacements, charging these amounts to current operating expenses, and spending the money in the post-war period. Such a policy on the part of the railroads would have the approval of the Interstate Commerce Commission.

Unfortunately, the taxing authorities are unwilling to recognize these charges as a current operating expense, and they insist that such expenditures cannot be charged to expenses until the money is actually spent. Therefore, there is nothing to be gained by setting up such reserves at this time. They would become reserves only after they had been taxed. And it would be necessary for the carriers to set aside more than five dollars in order to set up one dollar of cash reserve for spending in the post-war period. This is an interesting situation, particularly in view of the fact that Federal income taxes of the railroads now equal the sum which government pays to the railroads for the transport of Army and Navy war freight.

But this is only part of the story. The post-war period will bring a revival of keen competition in transportation. Motor trucks, buses, and air ships will return to the field of commercial transportation. And they will probably come back bigger and better than ever before.

In the past, our transportation policy has been based upon the premise that the way to cheapen service is to create more and more competition. If the newer forms of transportation did not attract private capital, we dipped into the public tax chest for the necessary funds—even when this meant the duplication of facilities which relatively few people demanded, and which nobody really needed.

This is not a sound premise. A transportation agency approaches the ideal in efficiency—when it operates as nearly as possible to maximum capacity. Present-day operation of the railroads proves this fact. They are carrying nearly twice as much traffic as they moved in the first World War period—with about one-third less equipment and 500,000 fewer employees than they had then. One freight car is today producing as many ton miles of service as two freight cars produced in 1918, and nearly as many ton-miles as two cars did in 1929. The average ton-mile rate is lower than it has been in twenty-five years. This is evidence that the sound way to cheapen transportation is through traffic volume and efficient operation.

The wartime job of the railroads may be long remembered. The public may be more friendly to the rail carriers than ever before. But shippers and travelers are the buyers of transportation service. When the war ends, their products will also face highly competitive markets, and they will be looking for the best service at the lowest cost. If the railroads are to secure their share of the traffic, they must continue to improve the quality of service and to reduce the cost of producing it. They must keep pace with scientific developments in the art of railroad transportation, and they must have the best railroad tools that genius can develop.

The railroads know competition when they meet it. They have been meeting it for years and years, and they expect to meet it again when the war ends. But when I refer to post-war competition, I am assuming that we will then have a sound national transportation policy and that the field of transportation will be a fair field—with equality of opportunity for all forms of service.

Each transportation agency should occupy the sphere where it can do the best job at the lowest real cost. What we know as a "complete service" may require the use of one or more types of transportation service. Therefore, transport agencies should be permitted to provide a complete service—when it is essential or desirable.

Commercial transportation service, regardless of which agency provides it, should pay its way, and it should contribute its fair share to the public tax chest. Subsidies, preferred treatment, and special advantages, should be eliminated or reduced to a minimum. When public property is used in private business venture and for private gain, a fair and reasonable price should be paid for such use.

Government regulation is essential, but it should be applied in equal measure to all forms of transportation. It should protect the public interest, and it should foster and preserve our transport agencies in full vigor. It should not hamper managerial functions, and it should not crush initiative. It should permit carriers to conduct a profitable business under honest, efficient and economical management.

Such a policy would provide a sound solution for most of our transportation problems. It would encourage all transport agencies to keep pace with developments in the art of transportation. It would stimulate constructive competition and discourage cut-throat and destructive competitive practices. It would promote operating economies, put a brake on the needless duplication of service and facilities, and restrict the costly waste in our present system of transportation and distribution.

We now possess the greatest railroad system on the face of the globe. It provides the best rail service at the lowest real cost, to be found anywhere. It has served us faithfully for more than a century—in good times and in bad times. This railroad system was not created by the wave of a magic wand. It was not created by governmental edict. We have it as a result of the vision, the courage, and the determination, of a long line of empire builders—the men who made America what it is today.

In this war, the railroads are doing a job which has been acclaimed as a miracle of transportation. They have not asked for government subsidy or preferred treatment. They are not seeking special grants for the construction of war facilities. They are privately owned and operated—although they have been under governmental regulation and supervision for more than fifty years. They are a product of the American System and they demonstrate private enterprise at its best.

However, the railroads are not the sole determining factor in the prosperity of any particular section of the country, or of any special industry. They cannot be used successfully as the shock absorber of economic disturbance. They cannot create markets for surplus products which the world cannot consume. And they cannot spend money which they are not permitted to earn.

All that the railroads need and all they ask, is that we shall have faith in the integrity of an industry which is willing to stand on its record; that they enjoy the same measure of fair play that we accord to other business; that they be permitted to earn a living wage, with the opportunity to do a still better job in the future.

ILO Adopts Charter Of Liberties And Rights For All Peoples For Inclusion In Peace Treaty

The 26th International Labor Conference at Philadelphia adjourned on May 12, following the adoption unanimously of the social provision suggested by the United States for inclusion in the peace treaty and sending a strong message to the enslaved peoples of the occupied countries of Europe that their day of deliverance was not far off. We quote from special advices from Philadelphia to the New York "Times" by Walter W. Ruch, who reported that at the same time the British Government made it clear that as regards Germany, it felt it was dealing with murderers and expressed the hope that there would be no moral indifference within the next 15 years that would prevent the victors from dealing with the Germans in the proper way. The advices as given in the "Times" by Mr. Ruch went on to say, in part:

"As for the occupied countries themselves, their delegations in the closing hours of the conference presented a declaration which showed them to be more strongly bound together on problems of mutual concern than at any time in a quarter of a century, some of them put it.

"Outlining seven specific points for the betterment of the lot of the common man and for the implementing of the social objectives of the Atlantic and Philadelphia Charters, the United States' proposals also included an amendment by Australia to provide for an international conference on domestic problems of employment and unemployment in the near future.

"The proposals suggest that the peace treaty, or some other treaty to be concluded before the war is over, provide international guarantees of the right of a job for every person who wants one, of raised standards of living, of minimum standards of employment, and of effective recognition of the right of freedom of association and of collective bargaining.

"In addition, the resolution makes the governing body of the International Labor Organization a watchdog of world-wide employment, with the duty of calling a special conference of the ILO when in its opinion there is a danger of a substantial fall in general employment levels.

"Such conferences would be held to recommend appropriate measures to prevent the development or spread of unemployment and to establish conditions under which high levels of employment might be maintained or restored.

"Thunderous applause greeted the unanimous adoption of the United States resolution and the resolution pledging full and swift assistance to the occupied countries. Perhaps, however, the cheering and hand-clapping reached its climax for the day in Mitten Hall, at Temple University, when Sir Frederick William Leggett, British Government delegate, sounded his stern warning to Hitler in seconding the latter resolution. . . .

" 'I gladly second this resolution, and with it we convey a message of encouragement to those heroes and heroines in those countries. We ask them to stand by for but a short time longer, when we are coming to rescue them and make them well again.' "

"The resolution, introduced by Miss Frances Perkins, Secretary of Labor and United States Government delegate, expresses the conviction that the heroic resistance of the occupied countries is one of the essential factors in the struggle of the United Nations against the common enemy. It adds:

" 'We express the hope that the United Nations and other members of the conference will unite their efforts to promote in every way the economic and social recovery of all the countries sorely tried by enemy occupation and by the devastation due to war.

" 'We assert the determination of the ILO to associate its endeavors with the concerted will of the oppressed nations for the purpose of rebuilding their social life according to the principles of international solidarity and respect for the fundamental spiritual and human values.' "

Under date of May 10, Philadelphia advices to the New York "Herald Tribune" by Paul Tobenkin stated that two basic proposals which representatives of the United States, Great Britain and the 39 other nations attending the current parleys will demand be incorporated in the peace treaty at the end of the war were adopted today at the 26th world conference of the ILO. One by the whole assemblage of government, labor and management delegates, the other by a committee. These advices added:

"First adopted unanimously by the conference was a charter of liberties and rights for all peoples, coupled with obligations upon the governments of the world to maintain peace by providing adequate social, labor and economic standards. This is titled 'A Declaration Concerning the Aims and Purposes of the ILO,' although spoken of as the 'Philadelphia Charter' and compared by the delegates to the Atlantic Charter and considered an implementation of the principles enunciated by President Roosevelt and Prime Minister Churchill.

"Second was a United States Government proposal, adopted in the committee on recommendations to the United Nations by a vote of 46 to 3 over the opposition of Australia, calling for a 'general or special treaty or agreement between nations' which would recognize that it is the duty of every government 'to maintain a high level of employment.'

"The Australian Government, through J. A. Beasley, its delegate, said that the American plan constituted a refusal to enter any international undertaking to maintain high levels of employment, and proposed instead that governments be called on to bring positive action rather than 'lip service' to the cause of working people and the economic welfare of governments. A resolution to this effect was adopted unanimously.

"The resolution for a special treaty represented the limit to which the United States and Great Britain were prepared to commit themselves in advance of the peace."

Four Post-War Fiscal Problems

(Continued from first page)

that is advocating any other solution. There are many who may be skeptical but they would prefer it this way if it can be done. There are some that are over optimistic with respect to how easily it may be done; it will not be done by chance or as a matter of course or as an inevitable rule of natural law.

I think there has been a change in business attitude recently, perhaps not so much in attitude as in the use of words. We have heard a great deal of discussion over the past year about business responsibility to provide jobs. Today we are more likely to hear about business responsibility to provide markets.

People who talked about providing jobs really had in mind that the jobs would come from the markets. But the new language is much better and our thinking is much clearer when we think about business responsibility to provide markets; jobs and investment will come as the markets themselves are developed.

This afternoon, however, I am not going to spend any more time on discussing business and the opportunities of business in bringing about the conditions that we would all desire. I want to talk about another subject, post-war fiscal policy.

For hundreds of years people have been interested in bringing about a new world through tinkering with money. The individuals who become involved in these speculations are apt to become quite set on particular formulas.

The men who become fascinated by the problems of money when they apply their imagination for the benefit of the social and public welfare are generally considered cranks and when they apply their information for their own private welfare they generally get rich.

I want to make clear that I do not believe that we can attain our objective through the manipulations of money. What we should try to do with our fiscal policy is more to remove the obstacles to high consumption and to facilitate our prospects of getting there.

Here is a medical illustration I think may be helpful.

A doctor told me once upon a time that if you had a patient suffering from both tuberculosis and diabetes you would first attempt to control the diabetes, that is to correct the disorders of metabolism so that the body could be strong to resist the second disease.

I think of the fiscal policy in something of the same way; that we must see to it that our fiscal policy and our monetary measures help in moving goods from producer to distributor to consumer at a high level and then the other problems which we have, and there are many of them, can be studied and corrected in the light of a healthy economic system.

When we talk about fiscal policy there are four questions that loom largest in peoples' minds.

First, what about taxes after the war?

Second, what about the national debt?

Third, what can we expect from public works?

And finally, what about social security?

In the remaining minutes that are left I should like to discuss these questions. I should like to put before you on each of these four questions a basic principle which seems to me common sense, to be non-controversial, but which if accepted would lead us far ahead. There will be plenty to discuss even if these questions are answered by agreeing to principles which from my points of view seem clear, common sense and matter of fact.

With respect to post-war taxes, I should think we might adopt this principle, that we will reduce taxes to balance the budget at high employment. It is very easily stated and I think the principle is easily understood. High employment does not mean super employment, not the highest possible employment, not employment involving overtime, or the employment of people who ought not to be at work; only a high level of employment that we would agree was socially acceptable. That level seems to be about 55,000,000.

"To balance the budget at high employment." That is where the budget should be balanced. If it is balanced before that, at $120,000,000,000.00 instead of $140,000,000,000.00, it means pushing against the tax system all the way, whereas if your budget will balance at $140,000,000,000.00, the tax system will help you all the way up. It makes it possible to fix tax rates and leave them alone, not changing them every year. It makes it possible leaving them alone after your goal has been reached, to build balances, surpluses which can either be held as balances or can be used to reduce the national debt.

It seems to me clear that there is nothing to be gained in balancing the budget at any other point than high employment. We should design our tax system to work with us instead of against us, as it has done for fifteen years.

The only objection to such a program that I have heard comes from people who constitutionally believe that anything that is pleasant is sin. This would be a most encouraging and pleasant tax policy. We will have a very large budget after the war under any circumstances. Business men accept too easily the necessity of a budget of $22,000,000,000.00 or $24,000,000,000.00 or $25,000,000,000.00. We must fight for as low a budget as is practical, but the lowest practical budget seems to me to be around $17,000,000,000.00 or $18,000,000,000.00, and that is a lot of money.

With the policy of balancing this budget at high employment, drastic reductions in taxes can be made at once, as soon as we have come through our reconversion. It is very important to bear this qualification in mind because until we are reconverted, we are not in the position of being able to produce $140,000,000,000.00. But when we are in that position immediately our rates can come down.

To give you some idea as to what is possible, but without making any positive recommendation, let me point out that we could eliminate all our excise taxes except those of tobacco and alcohol. We can eliminate the corporation tax entirely and we can take a third off the individual income tax and still balance an $18,000,000,000.00 budget at high employment.

I mention this particular combination for two reasons. One is to show what can be done. and also to show that there is plenty of controversy left about taxes after we agree on this basic principle.

As to the corporation tax I think it is very helpful to understand that the corporation tax has become one of the costs of production, that there is really no such thing as a corporation that can be taxed; that taxes are paid by people either in higher prices, lower wages or lower dividends. And that in all cases harm is done to the economic system by taking tax money at the point of production and distribution.

The second question is the question about the national debt. I believe that on reflection every one will agree that we cannot know today very much about that problem, not only because we do not know what the magnitude of the debt is going to be, but also because it represents a new situation as far as the public finance of this country is concerned. It is a problem that has to be studied with complete intellectual detachment, without politics, bias or emotion of any kind, without thinking in terms of superstition instead of in terms of ideas.

There are, however, certain things which I think we can be reasonably sure of about the national debt. First, I think we can be reasonably sure that the easy answers are probably wrong. By that I mean that it is certainly not true that the debt is not important simply because we owe it to ourselves. I must say that if anyone tells you that every child born in this country has a debt of $25,000.00 hanging around its neck, it is perfectly fair to say that at the same time it has a silver spoon worth $25,000.000 in its mouth.

Let us dismiss the proposition that the debt is of no importance because we owe it to ourselves. It is important.

The other simple suggestion that is also probably wrong is that the debt can be amortized by fixed annual installments over a period of years without regard to the state of employment and production. That simple answer is taken from the experience of business and private individuals with home mortgages and other indebtedness—that is, that we can amortize the debt by fixing annual installments over a period of years regardless of the economic or employment situation. I think we do know, however, this: that the interest on the debt is more important than its face value from the standpoint of fiscal policy. I think we know that the debt will be paid off, principle or interest as it becomes due and, I think we know that the amortization of the debt will take place under conditions which are consistent with the prior requirement of high employment and high production. These are basic principles, a frame of reference which we can use in approaching the problem of the national debt.

Now, with relation to the question of public works and what can we do about them. Ever since early 1920's the proposal has been actively urged, and accepted to a certain extent, that public works can be used to stabilize the business cycle, that public works can be used to fill in the valleys of depression, that public works can be made to provide work for the unemployed. I think that the experience of the 1930's shows that that is not true. The swing of a major business cycle is much too great for any handling of the matter by way of public works. Not only that, but as you think about the matter it becomes clear that even if we could use public works to stabilize the whole business cycle you could only do it by unstabilizing the construction industry, by whipsawing men in and out of industry according to the needs of the business cycle. This clearly would not be an acceptable public policy.

There is something, however, that we can do. We can adopt as a principle that we will plan our public works so that we stabilize the construction industry itself; so that public and private employment in construction in the aggregate is at about the same level year after year and throughout the year. This principle gives a difficult but a reasonably attainable objective. It gives you something that you could really shoot at.

Now, what that level should be is a matter on which there can be a great deal of discussion. If you take as an ideal that you wanted to rebuild the physical plan of the country once a generation, that has a certain amount of appeal due to the fact that it would mean one generation on the average turning to the next new houses and new factories and new schools. Such a program would require about 8% of the national product and employ about six and one-half million men on and off site.

These preliminary estimates are consistent with our experience with the construction industry in the latter part of the 1920's.

If we should make a commitment to use public works to stabilize the construction industry a number of things would happen. One thing that would almost certainly happen is that the costs in the construction industry would go down. The unpredictable and wide swings in the construction industry have made it necessary for the industry throughout all its branches to make sure that the prices that it receives when it is at work will pay for its living expenses and its idle plant expense when it is idle. Since these swings are unpredictable, the estimates and costs and restrictions have resulted in a high cost industry. Consequently, over the years a fixed number of men employed in a stabilized industry should give us a larger and larger product as the years go by.

You may have read that I favor a Congressional inquiry at the present time into the construction industry. I made this suggestion, not in the spirit of witch hunting or in a hostile spirit at all; at the present time there is no scandal that requires investigation, no emotional crisis that would distort judgment. It may turn out that certain immunities under the Anti-Trust Law will be necessary if we are going to stabilize the construction industry and if that happens, there should be corresponding regulation by a public body.

I am thinking of an inquiry of the scope, dignity, and competence of the National Monetary Commission, following which the Federal Reserve System was established.

I think the time to undertake that investigation is now. We will have probably after the war a short period of three to five years of intensive construction activity in catching up. It will take us that long, first to decide to have such an investigation, second, to make it, third, to adopt its conclusions. I think we ought to know what direction we would like to go in this important industry.

Now, for the fourth question I raised; what about the social security? Social security from the standpoint of fiscal policy? I am not raising any questions with respect to what level of benefits or who should get them. I am only raising the question of how the social security program should be financed.

It seems to me clear from a fiscal policy point of view that these programs, the old age program and the unemployment insurance program should be so financed that they are not deflationary at times of mass unemployment. I think the programs stand on a somewhat different basis and should be considered separately. For old age security it seems to me reasonable to so arrange affairs that income and outgo should be at about the same level. As far as unemployment insurance is concerned, it seems to me that the unemployment trust fund should not build balances except at levels of high employment. It seems inconsistent with the purposes of an unemployment insurance fund to so finance it that it creates the unemployment that it is intended to relieve.

I think we can say that it is sheer folly to build reserves in either fund at times of mass unemployment. Insofar as reserves are built in the funds they will have to turn up as deficits in the regular budget and such deficits mean irresponsibility.

Now, then, if we can agree on these basic principles; **on taxes**, reducing taxes to balance the budget at high employment, **on the debt**, to make sure that amortization of the debt is consistent with maintaining high employment. If we could agree that **public works** should be used to stabilize the construction industry and not to even out the whole business cycle, and that **the social security program** should be neutral in terms of its effect on fiscal policy, I think we will have gone a long way, a very long way indeed in clearing away some of the obstacles to high employment.

These measures of themselves will not guarantee high employment. These principles do not solve the problems that are presented by the questions, but they do represent a first point on which we can get agreement on a non-controversial, common sense basis.

We are still left, however, with the problem of the administrative and legislative aspects of fiscal policy and here I think we may well be apprehensive. At the present time, under the existing organization of the Federal Government there is no possibility of either adopting a fiscal policy or administering one.

There are four committees in the House, committees that have immediate relations to fiscal policies. In the Senate there are three. In the Executive Branch there are at least four departments and perhaps more, and outside of them all is the Federal Reserve System.

There are doubtless many solutions as to how there may be some clarification, reorganization, reassembly of these forces bearing on fiscal policy. I will mention one of these.

A proposal has been made by the National Planning Association, by its Committee of Business, its Committee of Labor, and its Committee of Agriculture. These Committees propose that there should be one committee in the House on fiscal policy consisting of certain members of the existing four committees, and one committee in the Senate; that there should be an office of the same stature as the present Office of War Mobilization which would give directives under the law to the various departments of the Executive Branch whose policies in detail should be guided by our fiscal policy in general; that the Federal Reserve System should be left where it is to coordinate the activities of the twelve banks and the open market policies of the system. The National Planning Association has said that this is the **minimum** amount of coordination that will make it possible to have a clarity of policy and consistency of administration in the fiscal and monetary area.

These administrative reforms must be made before anything else can be done. It is time to stop dreaming about spending our way into prosperity or balancing the budget at times of mass unemployment. These things cannot be done unless we have both legislative and executive coordination so that the measures that must be taken will be taken.

Let me go back and repeat what I have said before so that there may be no misunderstanding. Measures of fiscal policy can clear the way and can facilitate; they cannot produce goods, and services, they cannot give employment. They can create a situation in which high employment becomes possible as business and industry and commerce lead the way.

N. Y. Banks Agree To Plan To Liquidate Chilean Loan

Under date of May 15 Associated Press advices from Santiago, said:

"The Chilean government announced today agreements had been reached with National City Bank and Guaranty Trust Co. of New York under which loans made by those banks would be liquidated at approximately 18% of the balances outstanding, $11,500.000 and $6,000,000, respectively.

"None of the Chilean Treasury bills representing the loans, made with the banks in the late 1920s and previously adjusted and partly paid, was held publicly.

Roosevelt Lauds ILO Social Objectives—Says Program Worthy Of Treaty Action By Nations

Congratulating those participating in the International Labor Conference in Philadelphia, President Roosevelt on May 17 referred to the declaration adopted by the Conference, as summing up "the aspirations of an epoch which has known two world wars." "As I look over the report of your work," said the President, "I see that you have, for the first time in history, set out in a form which could be adopted as a treaty by the Nations, a particular series of social objectives." "I note," he added, "that among other things they include full employment, wages and working conditions calculated to insure a just share of the fruits of progress to all, the extension of social security, the recognition of the right of collective bargaining, provision for child welfare, and the assurance of adequate educational and vocational opportunities." "It will be your responsibility," said the President, "to promote these objectives through your own organization, and through such international agencies as may be created."

The President's remarks were addressed to about 150 delegates to the recently adjourned Conference of the ILO, these delegates representing 40 or more countries, who called upon the President following the conclusion of the Philadelphia Conference. Noting that the President delivered his brief speech from his desk in the Executive office the Philadelphia "Inquirer," in an account by William C. Murphy, Jr., from its Washington bureau, said, "The Philadelphia Declaration was signed, with the President as a witness, by Walter Nash, Minister of New Zealand, who was Chairman of the conference, and Edward J. Phelan, Acting Director of the ILO Secretariat."

Mr. Nash, Sir John Forbes Watson, of Great Britain, Chairman of the Employers' Group; and Jef Rens, of Belgium, chairman of the Employees' Group, responded and thanked the President for his interest in the meeting.

The address of the President follows:

"It is a great pleasure to have you with us here in the White House again. As I pointed out to you when we last met—two and a half years ago—taking part in a conference of the International Labor Organization is not a new experience for me. I take pride in the fact that I was permitted to play a part in the first conference of the organization that was held here in Washington in 1919.

"Those were indeed trying days when last we met in 1941. The fate of the free peoples of the entire world hung in the balance. Yet, with the courage and foresight that have always characterized the International Labor Organization, you as representatives of governments, workers and employers had the boldness to come together from all parts of the world to formulate plans for reconstruction.

"You have been meeting in Philadelphia where, 168 years ago, the fathers of this Republic affirmed certain truths to be self-evident. They declared that among other things all men are endowed by their creator with certain inalienable rights, among them life, liberty and the pursuit of happiness. In these words are expressed the abiding purpose of all peoples imbued with the ideals of freedom and democracy.

"The declaration which you have formulated in Philadelphia may well acquire a similar significance. In it you have reaffirmed principles which are the essential bulwarks of any permanent peace. With the expanding use of machinery and the revolution in transportation, it is well that the world should recognize the fundamental principle of your declaration: 'Poverty anywhere constitutes a danger to prosperity everywhere.' This principle is a guide to all of our international economic deliberations.

"You have affirmed the right of all human beings to material well-being and spiritual development under conditions of freedom and dignity and under conditions of economic security and opportunity. The attainment of those conditions must constitute a central aim of national and international policy. Indeed, the worthiness and success of international policies will be measured in the future by the extent to which they promote the achievement of this end.

"Your declaration sums up the aspirations of an epoch which has known two world wars. I confidently believe that future generations will look back upon it as a landmark in world thinking. I am glad to have this opportunity of endorsing its specific terms on behalf of the United States. I trust, also, that within a short time its specific terms will be wholeheartedly endorsed by all of the United Nations.

"As I look over the report of your work, I see that you have, for the first time in history, set out, in a form which could be adopted as a treaty by the nations, a particular series of social objectives. I note that among other things they include full employment, wages and working conditions calculated to insure a just share of the fruits of progress to all, the extension of social security, the recognition of the right of collective bargaining, provision for child welfare and the assurance of adequate educational and vocational opportunities. It will be your responsibility to promote these objectives through your own organization and through such international agencies as may be created.

"With great wisdom you have realized that these social objectives cannot be attained and supported without a high level of useful economic activity. You have recommended a series of economic policies and undertakings designed to bring about a material economy which will make it possible to maintain them.

"You have also wisely provided for the further development and reorganization of the International Labor Organization itself so that it may be broadened and strengthened for carrying out these social objectives and at the same time integrated on a cooperative basis with whatever new international agency or agencies are created by the United Nations. This forms an admirable pattern for formulating certain aspects of the peace. I want to assure you that this Government will do everything in its power to see that the provisions for the attainment of these social and labor objectives shall be included.

"The people of the occupied countries are in deep suffering. Their representatives have agreed upon the social objectives and economic policies you have set forth. I trust that this marks the beginning of a new and better day, a period of hope for material comfort, for security and for spiritual and personal development, for all those groups now suffering so sorely under the heel of the oppressor. The United Nations will be determined that all the oppressed of the earth shall be included in these social objectives.

"I want to offer my congratulations to those of you who have participated in this conference. You have my gratitude for the program of mutual helpfulness which you have laid out—a program which, I am sure, will inspire all those in our generation who want to build and maintain a just peace."

The sessions of the ILO opened in Philadelphia, on April 17 and were were brought to a close on May 12.

Illinois Bankers Will Hold 54th Convention

About 1,000 bankers and their wives were expected to attend the 54th annual convention of the Illinois Bankers Association May 24-26 at the Palmer House, Chicago, George R. Boyles, President of the Association, announced on May 11. Authorities on all phases of wartime and postwar banking and economic subjects were scheduled to address the sessions. Robert M. Hanes, President of the Wachovia Bank & Trust Co., Winston-Salem, N. C., and newly appointed Chairman of the American Bankers Association committee. Dr. E. A. Goldenweider, Director of the Research and Statistics Division of the Federal Reserve System, and Edgar Ansel Mowrer, Chicago "Daily News" foreign correspondent, were prominent among the speakers announced. The names on the program also included as speakers Frederick A. Virkus, chairman of the Conference of Small Business Organizations; Earl C. Smith, President of the Illinois Agricultural Association; Mr. Boyles, and several other leading bankers. In connection with the convention, meetings will also be held of Illinois members of the American Bankers Asssociation, the Illinois Bankers Foundation, Inc., and the Council of Administration.

A feature of the meeting was the celebration of the 80th birthday of J. M. Appel, Board Chairman of the First National Bank of Highland Park, Ill., at the past Presidents' annual dinner on May 24. One of the first appearances of a color guard of members of the United States Marine Corps Women's Reserve took place at the annual dinner of the Association May 25,

Would Issue Postal Notes To Mail Money Up To $10

A system of postal notes is provided in a bill passed in the House on May 2, whereby there may be transmitted in the mails any sum not to exceed $10, to cost the sender at the present time not more than 5 cents. As explained by Representative Burch of Virginia in the House on May 2, "the Post Master General is given authority, if he finds that the incomes from the postal note is greater than the expense, to reduce it to not less than 3 cents. If the cost of the postal note is greater than 5 cents, he is given authority to increase it to 6 cents." Mr. Burch, the "Congressional Record" reports, added that "this is simply for the purpose of transmitting money through the mail at a very small expense, and it is for the general good of the public."

Associated Press advices from Washington May 2 stated:

"The legislation provides for handling of small amounts now moved by postoffice money orders and on which fees run from 10 to 19 cents. About 70% of the postal money order business is for amounts of $10 or less."

Confirms McConnaughey

On May 17 the U. S. Senate confirmed the renomination of Robert K. McConnaughey, Ohio, as a member of the Securities and Exchange Commission. Mr. McConnaughey was named by President Roosevelt on May 11 for another term expiring June 5, 1949. The Senate Committee on Banking and Currency reported in favor of the nomination unanimously.

A. L. M. Wiggins Of American Bankers To Address A. I. B. Wartime Conference

A. L. M. Wiggins, President of the American Bankers Association, will address the wartime conference of the American Institute of Banking, to be held in St. Louis, June 6-8, it is announced by David L. Colby, President of the Institute. Mr. Wiggins will speak at the first business session of the two-and-a-half-day conference, which session will be on Tuesday afternoon, June 6. The conference, which will serve as the 42nd annual meeting, will transact the Institute's essential business. There will be business sessions on Tuesday afternoon, June 6, and Thursday morning, June 8.

The annual National Public Speaking Contest for the A. P. Giannini Educational Endowment Prizes, which has been held for 17 consecutive years, will take place Tuesday evening, June 6. Wednesday, June 7, will be given over to an educational conference in the morning and a chapter administration conference in the afternoon. The annual pre-election caucus will be held Wednesday evening, and the election of officers will follow the closing session on Thursday morning.

The Institute's Executive Council has recommended to all chapters and study groups that attendance be restricted in compliance with the suggestions of the Office of Defense Transportation. In addition, it is stated the conference will be held for five purposes. These are to review the educational problems confronting chapter leaders so that an educational program designed to help banks in the training of new and upgraded employees can be effected; to review administrative problems confronting chapter leaders in order that the most effective methods of presenting and publicizing such an educational program can be achieved; to review the progress of the Job Instructor Training (JIT) Program, which is considered essential to the war effort; to review the broad, overall training needs of banks for the next several years and to plan for an adequate educational program to cover those needs; to elect the Institute's officers for the ensuing year and transact other official business of the Institute.

Hope That Greeks May Be Brought Back To Allied Camp Expressed By Roosevelt

President Roosevelt has taken occasion to advise Prime Minister Churchill that he joins with him in his hope that his line of action "may succeed in bringing the Greeks back into the Allied camp and to participation against the barbarians." The President's letter, made public at Cairo, was given as follows in Associated Press accounts from that city May 1, according to the New York "Herald Tribune":

"Thank you for the information regarding the recent difficulties encountered in the Greek participation in our Allied effort. I join you in the hope your line of action towards the problem may succeed in bringing the Greeks back into the Allied camp and to participation against the barbarians. That will be worthy of the traditions established by the heroes of Greek history.

"Frankly, as one whose family and who personally has contributed personal help to Greek independence for over a century, I am unhappy over the present situation and I hope Greeks everywhere will set aside pettiness and regain their sense of proportion.

"Let every Greek think of his glorious past and show a personal unselfishness which is so necessary now."

Dunkman Heads New Div. of NY Bank Dept.

Elliott V. Bell, Superintendent of Banks, announced on May 19 the appointment of William E. Dunkman as chief of the newly created Division of Research and Statistics in the Banking Department. Mr. Dunkman is on leave of absence from the University of Rochester, where he holds an Associate Professorship in Economics. Before accepting appointment to the Banking Department Mr. Dunkman had been in the employ of the War Production Board and the Office of Price Administration for more than two years. More recently he has been price executive of the OPA's export-import branch. Mr. Dunkman, who graduated from the University of Cincinnati in 1926, did post-graduate work in economics and banking at Columbia University and was awarded a Ph. D degree in 1933. He was assistant to the late Dr. H. Parker Willis and lecturer in banking at Columbia University from 1929 to 1933. Since 1933 he has been a member of the faculty of the University of Rochester. Mr. Dunkman is the author of "Qualitative Credit Control" and "Questions in Money and Banking."

Mr. Bell said that Mr. Dunkman would have charge of the compiling and analyzing of the statistical information received by the Banking Department from institutions under its supervision and would make special studies in money and banking for the Department.

1944 Wheat Loan Program

Wheat loans averaging nationally $1.28 a bushel at the farm will be made by the War Food Administration's Commodity Credit Corporation on the 1944 crop. Last year the average was $1.23. The War Food Administration of the Department of Agriculture, reporting this on May 16, further said:

"Loans will be made on a note and chattel mortgage basis for wheat stored on farms and a note and loan agreement for wheat stored in approved warehouses.

"Wheat produced in 1944 grading U. S. No. 3 or better or grading U. S. No. 4 or U. S. No. 5 because of test weight only, will be eligible for loan. Loans will vary from the basic rate of $1.28 per bushel at the farm to take into account location, grade, and quality. For example, the loan rate for No. 1 hard winter wheat at Kansas City for 1944 is $1.44 per bushel as compared with $1.38 in 1943.

"Seven cents per bushel storage allowance will be advanced at the time of the loan on all farm-stored wheat. Loans on both farm-stored and warehouse-stored wheat will mature on demand but not later than April 30, 1945. Any loan may be liquidated by the payment of the full amount advanced plus 3% interest from the date of the note. All loans will be administered in the counties by county Agricultural Adjustment Agency committees under the general supervision of the State committees.

"Loan values at selected terminal markets are as follows: No. 1 hard winter, at Kansas City, $1.44; at Omaha, $1.44; at Galveston, $1.52; at Chicago, $1.49; at St. Louis, $1.49. No. 1 soft white or western white at Portland, $1.39; No. 1 dark northern spring, at Minneapolis, $1.46; No. 1 red winter, at Chicago, $1.49; at St. Louis, $1.49; at Philadelphia, $1.60; at Baltimore, $1.60; at Louisville, $1.51.

Supreme Court Rejects Plea For Rehearing Of Ruling Permitting Negro Vote In Texas Primaries

Two requests for a rehearing of its ruling of April 3, granting Negroes the right to vote in Texas Democratic Party primary elections, were rejected by the U. S. Supreme Court on May 8. The April 3 ruling of the Court was referred to in our issue of April 27, page 1741, at which time it was noted that on April 20 Attorney General Grover Sellers of Texas had asked the Supreme Court to set aside its ruling, asking permission at the same time to personally argue the rehearing request.

Besides Attorney General Sellers, reconsideration of the decision had also been asked by the two Houston election judges who were defendants in a suit brought by a Negro. Texas Attorney General Sellers contended that the court had erred in ruling that the Federal Constitution prevents the Texas Democratic Party from conducting a "white" primary.

United Press advices from Washington, May 8, from which we quote, added:

"He and the election judges—S. E. Allwright and James E. Liuzza—argued that the Democratic Party in Texas is a 'voluntary association,' not an instrument of the State or 'any governmental agency.'

"While the April 3 ruling specifically affected Texas, it also applies to all other States having similar primary laws. Southern Congressmen have said that ways will be found to bar Negroes from primaries, and some suggested a return to the State convention system.

"Barring such action, the court ruling will be tested in Texas July 22, when that State holds primaries for Congressional, State and county offices."

From Associated Press advices from Washington, May 8, we take the following:

"The recent decision held that the Democratic Party in Texas is required to follow State legislative procedure in selecting party nominees in primary elections, and thus the party becomes a State agency. To this, Mr. Sellers complained:

"This court makes much of the fact that the statutes of Texas regulate the manner in which primary elections are conducted. It is true that the statutes so operate, but it is equally true that under the Constitution and decisions in Texas, all primary elections are conducted by party officials at party expense, and that the State can say not one word with respect to the persons who are entitled to participate in such elections. . . . Strange, indeed, is a doctrine which transforms a private association into a State agency merely because the police powers of the State are applicable to such association.

"The election judges, S. E. Allwright and James E. Liuzza, told the Supreme Court that 'the Democratic party (nor any other party) in Texas is not responsible for the acts of the Legislature and cannot prevent enactment of statutes which attempt to control party affairs.'"

In the item in our April 27 edition it was noted that with a view to preventing Negroes from voting in the Democratic primaries, a special session of the South Carolina General Assembly passed on April 17 hundreds of bills repealing primary laws on the State books.

President And Stettinius Confer Following Latter's Return From London

The recent mission to London of Edward R. Stettinius, Jr., Under Secretary of State, was described by President Roosevelt on May 9 as very useful, and, according to the President, encouraging progress was made on various subjects. Mr. Stettinius, who arrived in London on April 7, returned to Washington on May 4, and immediately reported to Secretary of State Hull. During his trip Mr. Stettinius visited North Africa where he conferred with W. Averell Harriman, Ambassador to Russia, and Robert Murphy, American political adviser on the staff of the Allied Commander in the Mediterranean. Besides his talks in London with Prime Minister Churchill and Foreign Secretary Anthony Eden, Mr. Stettinius also conferred in London with King Haakon and Crown Prince Olav of Norway; Dr. Eelco N. van Kleffens, the Netherland Foreign Minister; Camille Gutt, Belgian Finance Minister; Lord Beaverbrook, Lord Privy Seal; Sir John Anderson, Chancellor of the Exchequer, and Stanislaw Mikolajczyk, Polish Premier, as well as various others.

Regarding the President's talk with Mr. Stettinius, upon the latter's return, the New York "Herald Tribune" reported the following on May 9 from its Washington bureau:

"Mr. Roosevelt, discussing the trip of Mr. Stettinius at his first press conference since his vacation trip south, disclosed that the Under Secretary had prepared a 21-page memorandum embracing approximately 40 subjects which were talked over with the British in London. The subjects, the President said, covered about everything in the world.

"Mr. Stettinius went over with no formal agenda, the President continued, and took up all subjects in an extremely effective way with what Mr. Roosevelt labeled awfully good results. Some of the subjects are in an active stage, while others, like oil, are still in the study stage. Beyond the mention of oil, Mr. Roosevelt did not disclose any of the topics which were taken up in London."

In Washington on May 5 the Under Secretary told correspondents that Britain and the United States will "stick together through thick and thin" in the peace as in the war. This is his firm conviction, he said.

Associated Press accounts from which we quote, also said in part:

"Mr. Stettinius had no hesitation in saying for publication that the morale and confidence of British and American services poised for the invasion of Europe is high.

"There seemed not the slightest doubt in the minds of those he had met that the outcome of the coming operations would be satisfactory to the Allies.

"His mission was the first the State Department has sent to London for business talks. Previously British Foreign Office missions have come here.

"Issues that had looked like almost insurmountable obstacles from across the Atlantic had been quickly settled.

"In London Mr. Stettinius said he had engaged in most valuable discussions with Allied Governments—something he had not anticipated when he left.

"As a result of this and of the great co-operation of the British and other United Nations officials, his visit had been of much greater value than he had expected.

"Russian and Chinese representatives in London were kept fully advised of what the British and American authorities were discussing, and they, in turn, gave him much valuable information. Fedor Gusev, former Russian Ambassador to Canada and now Ambassador to Britain, was particularly helpful and is playing an important role in international affairs, he said."

Items bearing on the trip of Mr. Stettinius to London appeared in our issues of March 23, page 1230, and May 1, page 1809.

Final Dividend To Creditors & Depositors Of Bank Of U. S.

Elliott V. Bell, New York Superintendent of Banks, announced on May 17 payment of a ninth and final dividend of 1⅛%, or $1,475,000, to the depositors and creditors of The Bank of United States. This payment followed the signing of an order by Justice John E. McGeehan in Supreme Court on May 16 approving the final account of the Superintendent as liquidator of The Bank of United States. With this payment, the depositors and creditors will have received 76⅛% of their claims. Announcement of this was made May 17 by the State Banking Department, which also said:

"The Bank of United States was closed on December 11, 1930. At the time of its closing it had 59 branches and 413,000 depositors. Checks for the ninth and final dividend have been mailed to approximately 200,000 depositors. The present addresses of about 200,000 depositors are unknown to the Banking Department. Over 45% of the depositors of The Bank of United States have failed to receive one or more dividends aggregating over $1,500,000 set aside for them."

A reference to the final accounting of the bank's affairs appeared in our May 18 issue, page 2055.

Advertising Medium To Participate In Convention

Plans have been completed by four major media — newspapers, magazines, radio and trade papers —for their participation in the advertising clinic which features the second day of the 62nd annual convention of the Proprietary Association of America, to be held at the Hotel Biltmore, New York, on May 15-17. William Y. Preyer, President of Vick Chemical Co. and Chairman of the Association's Advertising Advisory Committee, will preside at the clinic on May 16. For the newspapers, a presentation on readership habits will be made by the Bureau of Advertising of the American Newspaper Publishers Association, under William A. Thomson, director, with Allen B. Sikes, eastern manager, assisting.

The magazine presentation will be made by the Periodical Publishers Association, under direction of Frank Braucher, President, with W. H. Mullen, director of the Magazine Advertising Bureau, assisting. For radio, presentation will be made by National Association of Broadcasters, with J. Harold Ryan, President, and Lewis H. Avery, director of broadcast advertising, assisting. For the trade press, presentation will be made by Pauline Arnold, of Market Research Corp. of America, who will give the results of an advertising survey of drug stores, and Stanley A. Knisely, executive vice-president of Associated Business Papers, who will note the conclusions.

The convention program includes meetings of the Scientific Section of the Proprietary Association, the Veterinary Section and the Section on Foreign Trade. Government officials who will speak at the convention are Fred J. Stock of the Chemicals Bureau, War Production Board; Robert P. Fischelis of the Office of Civilian Requirements, and T. W. Delahanty of the drugs and pharmaceutical unit, Bureau of Foreign and Domestic Commerce. Another speaker will be Ralph Heinzen, long-time United Press manager in France.

New Type Of Labor Union Leadership Urged

Labor unions will require a new type of leadership after the war, according to Morris Llewellyn Cooke, consulting engineer and Chairman of the American Technical Mission to Brazil. In an article published April 14 in "After the War," official publication of the New York University Institute on Post-war Reconstruction, Mr. Cooke asserts that organized labor is entering a new era in which its relations with management will no longer be characterized by bitter industrial strife but by a cooperative approach to common production problems. He also says:

"There is necessarily a significant difference in the type of leaders of both management and labor, as between those best fitted for the rough-and-tumble relationship that precedes collective bargaining and the type that may be expected gradually to emerge when the fact of unionism has received the broad acceptance which is the rule in Great Britain and was the rule in all Scandinavia before Hitler took over. Militancy of heart and hand has characterized the successful leaders in the dying era. Industrial statesmanship is required under the only type of collective bargaining worthy of development."

Urging greater public recognition of the constructive role which labor unions can play in a post-war economy based on full employment and capacity production, Mr. Cooke calls upon schools and colleges to introduce courses on unionism in their curricula for management, union leaders and the general public. In his article Mr. Cooke also calls for a continuation of labor-management committees in industrial plants after the war emergency is over and for placing greater emphasis on the Department of Labor's conciliation work.

U. S. Supreme Court To Review Findings Of New York Court In Associated Press Case

On May 8 the United States Supreme Court agreed to review the decision of the Federal District Court of New York—in a 3-judge ruling—handed down in the Government's anti-trust action against the Associated Press. From Washington May 8 United Press accounts stated:

In a brief notation on its order list, the Court noted "probable jurisdiction" in the matter. Such a notation means that the Court agrees to hear oral arguments and accept briefs on the case. The arguments were expected to be heard in the fall. The same advices (United Press) added:

The Associated Press, in a direct appeal to the Supreme Court filed last month, contended that the lower Court's judgment, holding it guilty of violating the anti-trust laws, would subject it to the supervision of the Department of Justice and the Federal Courts in such a manner as to be "wholly incompatible with freedom of the press."

The Government, a few days later, filed a cross-appeal, arguing that the judgment was too limited in scope to prevent effectively "continuance or renewal" of alleged anti-trust violations by the AP.

By a 2-to-1 decision, the District Court on Jan. 13 enjoined the AP from observing by-laws which permit members to consider the competitive position of an applicant for membership. The tribunal said, however, that the AP might restrict applicants on other grounds and ruled that if AP modified its by-laws to the Court's satisfaction it might continue to provide a news report exclusively to members, to require members to furnish local news to AP exclusively and to retain a contract with the Canadian Press.

The Government's appeal urged that AP be enjoined perpetually from restricting new memberships irrespective of any modifications in its by-laws.

Goal Of $53,000,000 In Fifth War Loan Drive Sought From Ill. And Wis. Savings Loan Assns.

Sales of War Bonds equivalent to 10% of their assets is the goal of the member savings and loan associations of the Federal Home Loan Bank System in Illinois and Wisconsin during the forthcoming Fifth War Loan drive, A. R. Gardner, President of the regional Home Loan Bank of Chicago, announced on May 3, following his return from a Washington, D. C., conference of Presidents of the 12 regional Home Loan Banks and officials of the Federal Home Loan Bank Administration, the National Housing Agency and the U. S. Treasury, at which plans were formulated to step-up participation of the nation's thrift and home-financing institutions in the Treasury's war financing effort. "Again the goal or quota of War Bond sales by members of the Federal Home Loan Bank System has been raised," said Mr. Gardner. He added:

"To qualify for admission to the 'Honor Roll' of War Bond sales maintained by the Bank System member associations must sell a total of bonds equivalent to at least one-tenth of their assets during the Fifth War Loan campaign. This goal is one-third higher than for any previous war loan drive.

"Considering that the combined assets of the member institutions of the Federal Home Loan Bank of Chicago amount to approximately $531,840,000, sales in this district should attain the record volume of $53,184,000, if every member association succeeds in making the 'Honor Roll' goal. They are organizing now for a vigorous start when the drive begins on June 12. Throughout the country, the member institutions and the 12 regional Banks of the Federal Home Loan Bank System have accounted for about $2,000,000,000 in war financing since May, 1941."

N. Y. State Court Limits Scope Of Suits By Minority Holders

The recently-enacted New York law limiting the scope of minority stockholder suits was declared constitutional on May 16 by Supreme Court Justice William T. Collins, who also ruled that the statute was retroactive and applies to actions now pending before the courts. This is learned from the New York "Journal of Commerce," which further stated:

"Justice Collins declared valid Section 61-B of the General Corporation Law, which provides that no stockholders' action may be brought unless the suing stockholder owns at least 5% of the outstanding stock, or shares of a value in excess of $50,000, without posting security.

"The court also upheld provisions of the law in Section 61-A, which requires a corporation to pay expenses of directors who are successful in defending stockholders' actions.

Electric Output For Week Ended May 20, 1944 Shows 6.3% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended May 20, 1944, was approximately 4,245,678,000 kwh., compared with 3,992,250,000 kwh. in the corresponding week a year ago, an increase of 6.3% The output for the week ended May 13, 1944, was 6.8% in excess of the similar period of 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— May 20	May 13	May 6	Apr. 29
New England	*0.8	0.7	1.8	4.3
Middle Atlantic	3.6	4.0	6.0	12.9
Central Industrial	4.9	5.5	6.1	9.5
West Central	7.4	4.4	6.1	6.1
Southern States	9.3	7.4	10.4	11.7
Rocky Mountain	*9.7	*9.4	*5.0	2.2
Pacific Coast	15.2	19.8	20.9	25.3
Total United States	6.3	6.8	8.5	12.1

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Feb. 5	4,524,134	3,960,242	+14.2	3,474,638	1,578,817	1,726,161
Feb. 12	4,532,730	3,939,708	+15.1	3,421,639	1,545,459	1,718,304
Feb. 19	4,511,562	3,948,749	+14.3	3,423,589	1,512,158	1,699,250
Feb. 26	4,444,939	3,892,796	+14.2	3,409,907	1,519,679	1,706,719
March 4	4,464,686	3,946,630	+13.1	3,392,121	1,538,452	1,702,570
March 11	4,425,630	3,944,679	+12.2	3,357,444	1,537,747	1,687,229
March 18	4,400,246	3,946,836	+11.5	3,357,032	1,514,553	1,683,262
March 25	4,409,159	3,928,170	+12.2	3,345,502	1,480,208	1,679,589
April 1	4,408,703	3,889,858	+13.3	3,348,608	1,465,076	1,633,291
April 8	4,361,094	3,882,467	+12.3	3,320,858	1,480,738	1,696,543
April 15	4,307,498	3,916,794	+10.0	3,307,700	1,469,810	1,709,331
April 22	4,344,188	3,925,175	+10.7	3,273,190	1,454,505	1,699,822
April 29	4,336,247	3,866,721	+12.1	3,304,602	1,429,032	1,688,434
May 6	4,233,756	3,903,723	+ 8.5	3,365,208	1,436,928	1,698,942
May 13	4,238,375	3,969,161	+ 6.8	3,356,921	1,435,731	1,704,426
May 20	4,245,678	3,992,250	+ 6.3	3,379,985	1,425,151	1,705,460
May 27	------	3,990,040		3,322,651	1,381,452	1,615,085

April War Expenditures Lower

War expenditures by the United States Government during the month of April amounted to $7,493,000,000, a decrease of $455,000,000 or 5.7% from the high of $7,948,000,000 expended in March, the War Production Board said on May 16. The Board added:

The daily rate of war expenditures in April, on the other hand, showed a slight increase over March, expenditures averaging $299,700,000 per day, an increase of 1.8% over the daily rate in March of $294,400,000. The highest average daily rate to date was reached in February with $312,300,000 per day expended by the Government for war purposes. The daily rate is based on the 25 days in February and April, and the 27 days in March upon which checks were cleared by the Treasury.

From July 1, 1940, through April 30, 1944, the United States Government expended $184,000,000,000 for war purposes.

These figures include checks cleared by the Treasury payable from war appropriations, and net outlays of the Reconstruction Finance Corporation and its subsidiaries.

Monthly expenditures and the average daily rate from January, 1941, through April, 1944, are shown in the following table:

UNITED STATES WAR EXPENDITURES MONTHLY AND DAILY RATE
JANUARY, 1941—APRIL, 1944
(In Millions of Dollars)

1941—	Monthly Expenditures	Number of Days Checks Were Cleared	Daily Rate
1st quarter monthly average	$684	25	$27.4
2nd quarter monthly average	897	26	34.5
3rd quarter monthly average	1,253	26	48.2
4th quarter monthly average	1,797	25	71.9
1942 12-month total	52,406	310	169.1
1943 12-month total	83,135	312	272.9
1944—			
January	7,416	26	285.2
February	7,808	25	312.3
March	7,948	27	294.4
April	7,493	25	299.7

Steel Production Off 0.8%—Order Volume Holds Close To Shipments—Mill Carryovers Up

"Although there appeared to be some hesitancy in steel buying during the past week, this factor was by no means taken as an indication of a basic slowing up in order volume," the "Iron Age" says in its issue of today (May 25), further adding:

"More properly it was being interpreted as a slight reluctance on the part of steel buyers to make further commitments until the military situation became more clarified.

"Order volue on the whole was still close to actual shipments in the past week, and any decline in total backlogs was said to be slight or of no consequence. Some steel centers were still complaining that carryovers will represent one of their major troubles in months to come. This is particularly true, it was said, on plates, shapes and semi-finished steel The strong tempo engendered by the approaching shell program in the third quarter, the tightness in the tinplate market and the heavy over-all demand for semi-finished steel, both for lend-lease and forgers, is also being accelerated by outlaw strikes, equipment breakdowns and high turnover."

The American Iron and Steel Institute on May 22 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 98.4% of capacity for the week beginning May 22, compared with 99.2% one week ago, 100.0% one month ago and 99.3% one year ago. The operating rate for the week beginning May 22 is equivalent to 1,762,600 tons of steel ingots and castings, compared to 1,777,000 tons one week ago, 1,791,300 tons one month ago and 1,719,500 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on May 22, stated in part as follows: "Pressure for shipment of flat-rolled steel continues heavy, with as much tonnage being pushed forward as mills can possibly carry. This is because of urgency of some war requirements and also to the threat to steel production of the increasing shortage of manpower and approaching hot weather.

"Third quarter steel allocations have been reduced 5%, apparently in recognition of this threat. Some trade interests believe the drop in output will be greater than this, as a result of tremendous strain on equipment resulting from record-breaking operations of recent months. Some units now are down, with repairs slowed by shortage of skilled help.

"Orders for plates and sheets are off, although the trend is likely to be upward soon, especially in plates, because of the new landing craft and merchant ship programs scheduled to come out shortly. Both these programs, particularly landing craft, will be reflected to some extent in sheets and some tentative inquiries for sheets for this purpose already are appearing.

"About 125,000 tons of hull steel, mainly plates, will be placed soon for 24 tankers to be built by Sun Shipbuilding & Dry Dock Co., replacing 30 cargo ships transferred to Pacific Coast yards. Steel Requirements Committee of WPB is said to be faced with the problem of placing additional 195,000 tons of shell steel, 200,000 tons of sheets, an additional 12,000 tons of tin mill products and 104,000 tons of plates for third quarter. Carryover by some mills is increasing steadily, in some cases as much as ten days. As a result more directives are probable to handle this excess. This is expected to set back deliveries on contracts now scheduled for June and third quarter from two to six weeks."

From Washington Ahead Of The News

(Continued from first page)

as the great sedition trial now going on in Washington. It has been such an outrage that the Washington lawyers have been thinking of taking collective notice of it. A group of them have moved to the District Bar Association that this be done. The general attitude of Washington has been that maybe these people were guilty of the particular charge against them, and if so, they should be put away. There has been a lot of feeling that the Government was right silly to bother with people like this.

But in the past several days it has become more apparent what the Administration is trying to do. It has been pursuing this case right tenaciously—it was thrown out of Court once—and the purpose is slowly unfolding. It really unfolded in the statement to the jury of the assistant attorney general, Mr. Rogge, the ace of the attorney general's office. This statement went far beyond the indictment that these people had sought to incite the armed forces. It told of a gigantic plot of Fascists to overthrow this Government and set up a Fascist dictatorship. It was one of the most hair-raising recitals you ever heard. According to Mr. Rogge, these people were working to a common end, and some of them had already agreed upon the man they were going to make the fuehrer. He was the retired army officer Van Zandt Moseley.

Well, sir, you ought to go down and see these ambitious men. Incidentally, one of them, an energetic, dynamic, dictatorialv inclined old man of 80, died since the trial has been in progress. There is another one of them whom all Washington newspapermen know to have been broke and hungry for the past eight years. He is in his seventies. There are a couple of women crackpots. There are, of course, George Sylvester Viereck whose son was recently killed in Italy, and Lawrence Dennis, and our recollection is that Dennis is an admitted Fascist whatever that is. There are also two or three Bundists.

But, bear in mind, it was quite a surprise to know that this conglomeration, many of whom have never seen one another before, had been trying to overthrow the Government. That is not what they are charged with.

What then is the Government trying to build up? The most competent observers see in it an effort to offset the New Deal's alliance with the Communists. The Communists are openly out for the Fourth Term. They have reorganized their set-up to make it less embarrassing to the New Deal. They are now just a bunch of educationalists, for the time being in the New Deal. They are good law-abiding citizens. Aren't the Soviets deserving of the admiration of the world? Aren't they, as a matter of fact, just fellow Democrats trying to accomplish the same things in Russia, in Poland (breaking up the landed estates); in Eastern Europe, even in this country; aren't they trying to accomplish the same things for the masses as the New Deal? It is sort of amazing that we ever misunderstood them, and one thing we will tell you right forcefully is that we had better have a mutual understanding if the world is to live in peace.

Well, now that you've realized you've been wrong about these fellow Democrats all the time, let the New Deal show you something that is really dangerous, and only their alertness to preserve Democracy at home while the boys are fighting for it at the front, prevented what this crowd down here now before the bar of justice was trying to do, including those aggressive 75 and 80 year old codgers. We just lost a 13 year old dog. He was so old he couldn't even bite.

Palmer Asserts Business Must Plan Now To Avoid Post-War Repercussion

James L. Palmer, First Vice-President of Marshall Field & Co., on April 3, at a joint meeting of the Chicago Association of Commerce and the Committee for Economic Development at Chicago, said that American business will find itself perched atop an economic "keg of dynamite" that may explode at any time in the next 10 years unless sound plans are formulated at once to avoid post-war repercussions. The New York "Times" of April 4, from which the foregoing is quoted, also indicated other remarks of Mr. Palmer, as follows:

"In meeting the post-war challenge of maintaining economic stability and absorbing returning service men, business men must be prepared to devote more attention toward sound direction of government, Mr. Palmer said.

"We have entered every war in our history unprepared," Mr. Palmer said. "Neither have adequate preparations been made for peace and the results have too often been unfortunate. Without adequate planning we haven't a Chinaman's chance of avoiding difficulties this time."

Mr. Palmer, Chicago Chairman of the CED, spoke in furtherance of the sponsoring groups' program for encouraging current study of post-war problems, and said the country's primary aim should be the maintenance of the free enterprise system.

"The problem of future prosperity is one of individual cooperative enterprise by business, labor, agriculture and — whether you like it or not—by Government," he said. "We in busines must see that a good job is done in public places.

"The powder keg may or may not explode, but certainly we cannot intelligently attack our post-war problems without sound planning for the solution."

Mentioning forecasts that national income had reached a permanent high level at $140,000,000,000 annually, against $100,000,000 or less before the war, Mr. Palmer termed such predictions just as uncertain as were the assurances that 1929 prosperity was permanent.

Avoiding repercussions has been made more difficult by the fact that the country's economic machine has been doubled during the war, with "tremendous" increases in employment, wages and the production of goods and services, he said.

Newly Organized Liberal Party Nominates Roosevelt And Wallace For Re-election

The organization was effected in New York City on May 19 of what is styled the Liberty Party, its formation having been brought about by right-wing forces who withdrew last March from the American Labor Party. The action in forming the new party took place at a convention held at the Hotel Roosevelt, at which, according to the New York "Herald Tribune," Dean Alfange (the 1942 candidate for Governor of the American Labor Party and Chairman of the Liberal and Labor Committee sponsoring the new party) in his keynote address described the move as the first step in national political realignment "by which a new major party will emerge." On May 20 President Franklin D. Roosevelt and Vice-President Henry A. Wallace were nominated by the Liberal Party for reelection, and United States Senator Robert F. Wagner (Democrat) was named to succeed himself.

In its issue of May 21 the "Herald Tribune" said:

"Completing its organization in the two-day session, the new party elected Professor John L. Childs, of Columbia University, State Chairman. It elected Joseph V. O'Leary, former State Comptroller, Secretary; Harry Uviller, Impartial Chairman of the Dress Industry, Treasurer, and Alex Rose, former State Secretary of the American Labor Party, Chairman of the administrative committee.

"Mr. Rose predicted to the convention the new party will poll at least 400,000 votes next November. The old American Labor Party polled 417,418 votes for Mr. Roosevelt in the 1940 Presidential election and 403,026 votes for Dean Alfange for Governor in 1942.

"Left-wing forces under the leadership of Sidney Hillman, Chairman of the Congress of Industrial Organizations Political Action Committee, have taken over the American Labor Party. They will name President Roosevelt and his ticket, including Senator Wagner, after the Chicago convention.

David Dubinsky, President of the International Ladies' Garment Workers' Union, again asserted the ALP is under Communist control and predicted the new party would be the third in strength after the next election."

Also from the same paper we take the following:

"A carefully prepared and detailed platform was adopted at the morning session. It asked the world powers 'to adopt collective actions for international security' and dealt with specific domestic issues.

"The party's new rules include a provision that 'no person shall be eligible to become or remain a member of the Liberal Party or hold a party office or party position or membership in a party committee or receive a party nomination for public office who advocates, supports, follows, adheres to or espouses any totalitarian doctrine, philosophy or activity, whether it be Fascist, Nazi, Communist or known by any other name."

Daily Average Crude Oil Production For Week Ended May 13, 1944 Decreased 16,550 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 13, 1944, was 4,502,000 barrels, a decline of 16,550 barrels per day from the preceding week and 17,700 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of May, 1944. The current figure, however, was 517,700 barrels per day more than the output in the week ended May 15, 1943. Daily production for the four weeks ended May 13, 1944, averaged 4,469,800 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,400,000 barrels of crude oil daily and produced 13,618,000 barrels of gasoline; 1,637,000 barrels of kerosene; 4,545,000 barrels of distillate fuel oil, and 8,399,000 barrels of residual fuel oil during the week ended May 13, 1944; and had in storage at the end of that week 87,823,000 barrels of gasoline; 7,049,000 barrels of kerosene; 30,763,000 barrels of distillate fuel, and 49,737,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

The Petroleum Administration for War on May 15 certified an all-time-high production rate of 4,879,100 barrels daily of all petroleum liquids to the various oil-producing States for June, 1944. This figure represents a net increase of 60,600 barrels daily over the rate certified for May, 1944, the previous record high.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations May	*State Allowables begin. May 1	Actual Production Week Ended May 13, 1944	Change from Previous Week	4 Weeks Ended May 13, 1944	Week Ended May 15, 1943
Oklahoma	330,000	328,000	†333,550	— 2,000	334,600	321,150
Kansas	285,000	269,600	†278,000	+10,800	270,700	305,550
Nebraska	900		†950	— 200	1,100	2,150
Panhandle Texas			91,000	----	91,100	91,100
North Texas			147,200	----	145,500	131,900
West Texas			429,150	----	401,600	226,750
East Central Texas			137,150	+ 200	132,100	124,300
East Texas			364,100	----	363,200	339,300
Southwest Texas			307,050	----	300,100	214,000
Coastal Texas			519,850	----	519,300	375,200
Total Texas	1,972,000	‡1,976,904	1,995,500	+ 200	1,952,900	1,502,550
North Louisiana			74,850	— 250	75,400	87,000
Coastal Louisiana			283,100	----	282,800	261,050
Total Louisiana	350,000	390,500	357,950	— 250	358,200	348,050
Arkansas	76,700	77,991	80,300	+ 350	79,800	72,100
Mississippi	43,000		41,100	— 500	42,100	52,450
Alabama			150	----	100	----
Florida			50	----	50	----
Illinois	220,000		204,700	—15,450	208,200	210,550
Indiana	14,000		11,600	— 2,950	13,400	13,200
Eastern— (Not incl. Ill., Ind., Ky.)	73,800		71,400	----	72,300	79,750
Kentucky	23,000		20,000	— 2,600	21,700	22,200
Michigan	54,000		52,100	+ 150	51,200	58,700
Wyoming	94,000		81,600	— 9,550	92,200	92,900
Montana	24,400		21,400	----	21,400	20,550
Colorado	7,200		8,100	— 300	8,200	6,700
New Mexico	111,700	111,700	112,050	— 50	112,100	96,950
Total East of Calif	3,679,700		3,670,500	—22,350	3,640,200	3,205,500
California	840,000	§840,000	831,500	+ 5,800	829,600	778,800
Total United States	4,519,700		4,502,000	—16,550	4,469,800	3,984,300

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. May 11, 1944.

‡This is the net basic allowable as of May 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 14 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED MAY 13, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are —therefore on a Bureau of Mines basis—

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,279	90.5	6,680	37,672	15,953	14,388
Appalachian— District No. 1	130	83.9	95	73.1	305	2,052	925	204
District No. 2	47	87.2	51	108.5	143	1,275	235	141
Ind., Ill., Ky.	824	85.2	752	91.3	2,667	20,472	4,329	2,740
Okla., Kans., Mo.	418	80.2	348	83.3	1,226	8,578	1,266	1,187
Rocky Mountain— District No. 3	8	26.9	10	125.0	38	74	6	30
District No. 4	141	58.3	94	66.7	358	2,227	317	546
California	817	89.9	771	94.4	2,201	15,473	7,732	30,501
Total U. S. B. of M. basis May 13, 1944	4,903	87.3	4,400	89.7	13,618	†87,823	30,763	49,737
Total U. S. B. of M. basis May 6, 1944	4,903	87.3	4,316	88.0	13,115	88,267	30,438	49,841
U. S. Bur. of Mines basis May 15, 1943			3,758		10,600	87,011	30,811	67,366

*At the request of the Petroleum Administration for War. †Finished, 75,901,000 barrels; unfinished, 11,922,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,637,000 barrels of kerosine, 4,545,000 barrels of gas oil and distillate fuel oil and 8,399,000 barrels of residual fuel oil produced during the week ended May 13, 1944, which compares with 1,510,000 barrels, 4,118,000 barrels and 8,948,000 barrels, respectively, in the preceding week and 1,594,000 barrels, 3,720,000 barrels and 7,701,000 barrels, respectively, in the week ended May 15, 1943.

Note—Stocks of kerosine at May 13, 1944 amounted to 7,049,000 barrels, as against 6,673,000 barrels a week earlier and 5,850,000 barrels a year before.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
May 23	119.60	112.19	118.60	116.80	111.81	102.30	105.86	113.89	117.00
22	119.60	112.00	118.60	116.80	111.81	102.13	105.86	113.89	117.00
20	119.59	112.19	118.60	116.80	111.81	102.30	105.86	113.89	117.00
19	119.59	112.00	118.60	116.80	111.81	102.13	105.86	113.89	116.80
18	119.57	112.00	118.60	116.80	111.81	101.97	105.69	113.89	116.80
17	119.51	112.00	118.60	116.80	111.81	101.80	105.86	113.70	116.80
16	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
15	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
13	119.48	111.81	118.40	116.80	111.62	101.80	105.52	113.89	116.80
12	119.48	112.00	118.60	116.80	111.81	101.64	105.52	113.89	116.80
11	119.51	111.81	118.60	116.61	111.81	101.64	105.69	113.70	117.00
10	119.51	111.81	118.40	116.61	111.81	101.64	105.69	113.70	116.80
9	119.58	111.81	118.60	116.61	111.62	101.80	105.69	113.70	116.61
8	119.52	111.81	118.40	116.80	111.62	101.64	105.52	113.70	116.61
6	119.48	111.81	119.40	116.80	111.62	101.47	105.52	113.70	116.41
5	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
4	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
3	119.51	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
2	119.47	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
1	119.34	111.62	118.40	116.41	111.62	101.31	105.34	113.70	116.41
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
21	119.75	111.62	118.40	116.41	111.62	101.31	105.17	113.70	116.41
14	119.86	111.62	118.20	116.61	111.44	101.14	105.17	113.70	116.41
6	119.81	111.44	118.20	116.61	111.44	100.98	104.83	113.89	116.22
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
24	119.86	111.44	118.20	116.61	111.44	100.81	104.66	113.89	116.41
17	120.14	111.44	118.20	116.61	111.25	100.65	104.66	113.70	116.41
10	120.26	111.44	118.20	116.41	111.25	100.81	104.48	113.70	116.41
3	120.44	111.25	118.20	116.61	111.25	100.49	104.31	113.70	116.41
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
18	119.96	111.25	118.40	116.41	111.07	100.49	104.31	113.50	116.41
11	119.69	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.41
4	119.45	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
21	119.58	111.25	118.40	116.41	111.07	100.16	104.31	113.31	116.41
14	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.41
7	119.69	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22
High 1944	120.44	112.19	118.80	116.80	111.81	102.30	105.86	113.89	117.00
Low 1944	119.34	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago May 22, 1943	119.48	110.15	118.20	115.82	110.88	97.47	102.13	113.12	115.82
2 Years Ago May 23, 1942	118.38	106.39	116.02	112.93	107.44	91.77	96.07	110.88	113.50

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
May 23	1.84	3.05	2.72	2.81	3.07	3.61	3.40	2.96	2.80
22	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.80
20	1.84	3.05	2.72	2.81	3.07	3.61	3.40	2.96	2.80
19	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.81
18	1.84	3.06	2.72	2.81	3.07	3.63	3.41	2.96	2.81
17	1.85	3.06	2.72	2.81	3.07	3.64	3.40	2.97	2.81
16	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
15	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
13	1.85	3.07	2.73	2.81	3.08	3.64	3.42	2.96	2.81
12	1.85	3.06	2.72	2.81	3.07	3.65	3.42	2.96	2.81
11	1.85	3.07	2.72	2.82	3.07	3.65	3.41	2.97	2.80
10	1.85	3.07	2.73	2.82	3.07	3.65	3.41	2.97	2.81
9	1.84	3.07	2.72	2.82	3.08	3.64	3.41	2.97	2.82
8	1.85	3.07	2.73	2.81	3.08	3.65	3.42	2.97	2.82
6	1.85	3.07	2.73	2.81	3.08	3.66	3.42	2.97	2.83
5	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
4	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
3	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
2	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
1	1.86	3.08	2.73	2.83	3.08	3.67	3.43	2.97	2.83
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
21	1.83	3.08	2.73	2.83	3.08	3.67	3.44	2.97	2.83
14	1.82	3.08	2.74	2.82	3.09	3.68	3.44	2.97	2.83
6	1.83	3.09	2.74	2.82	3.09	3.69	3.46	2.96	2.84
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
24	1.82	3.09	2.74	2.82	3.09	3.70	3.47	2.96	2.83
17	1.80	3.09	2.74	2.82	3.10	3.71	3.47	2.97	2.83
10	1.81	3.09	2.74	2.83	3.10	3.70	3.48	2.97	2.83
3	1.80	3.10	2.74	2.82	3.10	3.72	3.49	2.97	2.83
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
18	1.83	3.10	2.73	2.83	3.11	3.72	3.49	2.98	2.83
11	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.83
4	1.87	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
21	1.86	3.10	2.73	2.83	3.11	3.74	3.49	2.99	2.83
14	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.83
7	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.79	3.05	2.71	2.81	3.07	3.61	3.40	2.96	2.80
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago May 22, 1943	1.90	3.16	2.74	2.86	3.12	3.91	3.62	3.00	2.86
2 Years Ago May 23, 1942	1.94	3.37	2.85	3.01	3.31	4.29	4.00	3.12	2.98

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Commercial Paper Outstanding

Reports received by the Federal Reserve Bank of New York from commercial paper dealers show a total of $171,500,000 of open market paper outstanding on April 29, 1944, the bank announced on April 29. This compares with $194,800,000 outstanding on March 31, 1944, and $178,900,000 on April 30, 1943.

Following are the totals for the last two years:

	$		$
1944—		1943—	
Apr 29	194,800,000	Apr 30	178,900,000
Mar 31	194,800,000	Mar 31	200,600,000
Feb 29	213,700,000	Feb 27	209,100,000
Jan 31	208,900,000	Jan 30	220,400,000
1943—		1942—	
Dec 31	202,000,000	Dec 31	229,900,000
Nov 30	203,300,000	Nov 30	260,600,000
Oct 30	187,800,000	Oct 31	271,400,000
Sep 30	169,500,000	Sep 30	281,800,000
Aug 31	156,200,000	Aug 31	297,200,000
July 31	149,800,000	July 31	305,300,000
Jun 30	143,300,000	Jun 30	315,200,000
May 29	159,600,000	May 29	354,200,000

Knox Estate at $2,000,000; Bell Elected President of "Chicago Daily News"

Announcement was made on May 16 of the election of Laird Bell as President of the "Chicago Daily News, Inc.," to fill the vacancy due to the death on April 28 of Frank Knox, Secretary of the Navy.

Mr. Bell, who was chosen by the Board of Directors, has been counsel for the "Daily News" for many years and a director since 1926. He also is one of the three executors named in Col. Knox's will. The death of Secretary Knox was noted in our issue of May 4, page 1842.

On May 17 a petition was presented in Chicago before Judge John F. O'Connell, for probate of the will of Mr. Knox, who, until his death was Secretary of the Navy and Publisher of The Chicago Daily News, Inc. The will was filed with Frank Lyman, Clerk of the Probate Court, by the firm of Bell, Boyd & Marshall, attorneys for Annie Reid Knox; Holman D. Pettibone, President of the Chicago Title & Trust Co., and Laird Bell, named executors in the will. An announcement with regard thereto says:

"The estate, estimated by the executors at $2,000,000, is left to Mrs. Knox, including Col. Knox's interest in The Chicago Daily News, Inc. The executors are given discretion to dispose of the interest in The Chicago Daily News, Inc. as may be "most desirable from the point of view of the residuary legatee" (Mrs. Knox) "and further from the point of view of insuring to the Chicago Daily News, Inc. continuation of a management preserving the character and traditions of the newspaper which it publishes. To this end I particularly authorize my executors to make such disposition by sale or otherwise of my said interest in said corporation as they shall in their discretion deem to be most effectual in carrying out my wishes in regard thereto. They shall be under no obligation to sell said interest to the highest bidder but they may accept any bid from any bidder for any amount deemed to them to be fair and reasonable and upon any terms deemed by them to be acceptable in view of the foregoing."

"Col. Knox's interest in the Chicago Daily News, Inc. is represented partly by 5,301 common shares of the corporation and partly by a controlling interest in Daneco Corporation of Delaware which, in turn, owns 226,300 shares of the common stock of Chicago Daily News, Inc. out of 400,000 shares of common stock outstanding.

"Stock of the Union-Leader Publishing Co. of Manchester, N. H., is left in trust with Mrs. Knox for her benefit during her lifetime. Col. Knox at the time of his death owned only a small amount of this stock, but Mrs. Knox owned a substantial interest.

Moody's Daily Commodity Index

Tuesday, May 16, 1944	250.0
Wednesday, May 17	250.0
Thursday, May 18	250.0
Friday, May 19	250.1
Saturday, May 20	250.1
Monday, May 22	250.3
Tuesday, May 23	250.4
Two weeks ago, May 9	249.7
Month ago, April 22	249.6
Year ago, May 22	246.1
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, March 17	251.5
Low, Jan. 5	247.0

Market Value Of Stocks On New York Stock Exchange Lower On April 29

The New York Stock Exchange announced on May 6 that as of the close of business April 29, there were 1,241 stock issues, aggregating 1,493,590,566 shares listed on the New York Stock Exchange, with a total market value of $48,670,491,772. This compares with 1,243 stock issues, aggregating 1,492,248,939 shares, with a total market value of $49,421,855.812 on Mar. 31.

In making public the April 29 figures the Stock Exchange further said:

As of the close of business April 29, New York Stock Exchange member total net borrowings amounted to $696,751,105 of which $468,371,064 represented loans which were not collateralized by U. S. Government issues. The ratio of the latter borrowings to the market value of all listed stocks, on that date, was, therefore, 0.96%. As the loans not collateralized by U. S. Government issues include all other types of member borrowings, these ratios will ordinarily exceed the precise relationship between borrowings on listed shares and their total market value.

In the following table listed stocks are classified by leading industrial groups with the aggregate market value and average price for each:

	—April 29, 1944—		—Mar. 31, 1944—	
	Market Value	Av. Price	Market Value	Av. Price
	$	$	$	$
Amusement	532,582,738	22.98	550,610,687	23.76
Automobile	4,205,138,283	34.81	4,250,812,974	35.18
Aviation	575,899,570	16.20	593,643,086	16.76
Building	551,589,025	26.49	567,080,387	27.21
Business and Office Equipment	430,984,992	33.35	434,911,635	33.66
Chemical	5,905,841,589	61.56	6,025,907,063	62.80
Electrical Equipment	1,607,521,115	39.01	1,589,150,149	38.84
Farm Machinery	770,793,399	56.33	787,986,996	57.59
Financial	957,470,684	19.57	986,748,689	20.15
Food	3,123,164,306	37.33	3,202,514,291	38.30
Garment	44,549,142	26.64	45,744,662	27.36
Land & Realty	32,800,390	6.74	34,790,487	7.15
Leather	242,817,439	28.81	243,905,112	28.94
Machinery & Metals	1,710,354,814	23.86	1,748,571,529	24.40
Mining (excluding iron)	1,357,801,368	22.04	1,386,348,539	22.50
Paper & Publishing	509,172,646	21.80	512,673,486	21.97
Petroleum	5,978,432,842	29.46	6,067,014,808	29.89
Railroad	3,871,711,303	36.00	3,924,384,903	36.49
Retail Merchandising	2,645,002,774	36.33	2,673,568,880	36.73
Rubber	595,313,632	55.99	604,487,369	56.85
Ship Building & Operating	96,940,009	17.57	99,889,248	18.11
Shipping Services	16,377,993	9.50	17,585,580	10.20
Steel, Iron & Coke	2,141,729,593	42.34	2 167,636,674	42.85
Textiles	488,308,407	32.82	525,293,099	35.11
Tobacco	1,258,188,419	46.20	1,272,098,711	46.71
Utilities:				
Gas & Electric (Operating)	2,208,192,213	21.33	2,237,881,937	21.62
Gas & Electric (Holding)	1,217,796,,522	12.36	1,238,265,265	12.57
Communications	3,683,326,011	87.33	3,704,385,256	87.91
Miscellaneous Utilities	114,306,759	19.56	117,491,766	20.11
U. S. Cos. Operating Abroad	778,568,343	22.88	797,066,498	23.42
Foreign Companies	863,207,509	20.84	859,331,135	21.24
Miscellaneous Businesses	153,607,938	26.17	154,074,911	26.25
All Listed Stocks	48,670,491,772	32.59	49,421,855,812	33.12

We give below a two-year compilation of the total market value and the average price of stocks listed on the Exchange:

	Market Value	Average Price		Market Value	Average Price
1942—	$	$	1943—	$	$
Apr. 30	31,449,206,904	21.41	May 29	48,437,700,647	32.96
May 29	32,913,725,225	22.40	June 30	48,878,520,886	33.27
June 30	33,413,047,743	22.73	July 31	47,577,989,240	32.17
July 31	34,443,805,860	23.42	Aug. 31	47,710,472,858	32.04
Aug. 31	34,871,607,323	23.70	Sept. 30	48,711,451,018	32.82
Sept. 30	35,604,809,453	24.20	Oct. 30	48,178,040,869	32.44
Oct. 31	37,727,599,526	25.65	Nov. 30	45,101,778,943	30.33
Nov. 30	37,374,462,460	25.41	Dec. 31	47,607,294,582	31.96
Dec. 31	38,811,728,666	26.39			
1943—			1944—		
Jan. 30	41,410,585,043	28.16	Jan. 31	48,396,650,695	32.47
Feb. 27	43,533,661,753	29.61	Feb. 29	48,494,092,518	32.51
Mar. 31	45,845,738,377	31.20	Mar. 31	49,421,855,812	33.12
Apr. 30	46,192,361,639	31.45	Apr. 29	48,670,491,772	32.59

April Civil Engineering Construction Volume Tops March Weekly Average By 3%

Civil engineering construction volume in continental U. S. totals $145,040,000 for the four weeks of April, an average of $36,260,000 per week. This average volume, not including construction by military engineers abroad, American contracts outside the country and shipbuilding, is 3% higher than the weekly average for the five weeks of March, 1944, but is 52% below the average for the five weeks of April, 1943, as reported to "Engineering News-Record" and made public on May 4. The report went on to say in part:

Public construction, on the weekly average basis, is 12% higher than in the preceding month, as a result of the 32% increase in state and municipal constructions and the 9% gain in federal. Public work, however, is 56% lower than in the corresponding 1943 month as decreases were reported in both state and municipal construction and federal work.

Private construction 23 and 24% lower, respectively, than for a month ago and a year ago.

Civil engineering construction volumes for April, 1943, March, 1944, and April, 1944 are:

	April, 1943 (5 weeks)	March, 1944 (5 weeks)	April, 1944 (4 weeks)
Total U. S. Construction	$397,068,000	$175,726,000	$145,040,000
Private Construction	45,710,000	45,109,000	27,649,000
Public Construction	333,358,000	130,617,000	117,391,000
State and Municipal	26,605,000	18,643,000	19,638,000
Federal	306,753,000	111,974,000	97,753,000

The April construction volume brings 1944 volume to $595,162,000 for the four months of the year, a figure 51% below the $1,218,109,000 reported for a year ago. Private construction, $125,989,000, is 1% lower than last year, and public construction, $469,173,000, is down 57% due to the 4% decline in state and municipal construction and the 60% decrease in federal volume.

New Capital

New capital for construction purposes for the four weeks of April, $183,997,000, is 45% lower than the $416,561,000 reported for the five-week period last year. The current month's new financing is made up of $22,757,000 in private investment, $46,240,000 in federal funds for non-federal construction, and $115,000,000, in federal funds for Federal Works Agency construction.

The month's new construction capital brings 1944 volume to $365,635,000, a total 24% below the $479,279,000 reported for the opening four months of 1943.

Bankers' Dollar Acceptances Outstanding On April 29 Decrease To $125,566,000

The volume of bankers' dollar acceptances outstanding on April 29 amounted to $125,566,000, a decrease of $3,792,000 from the Mar. 31 total, according to the monthly acceptance survey issued May 15 by the Federal Reserve Bank of New York. As compared with a year ago, the April 29 total represents a loss of $2,784,000.

In the month-to-month comparison, imports, exports, domestic warehouse credits and those based on goods stored in or shipped between foreign countries were lower, while in the yearly analysis only credits for imports and exports were higher.

The Reserve Bank's report follows:

BANKERS DOLLAR ACCEPTANCES OUTSTANDING—UNITED STATES
BY FEDERAL RESERVE DISTRICTS

Federal Reserve District—	Apr. 29, '44	Mar. 31, '44	Apr. 30, '43
1 Boston	$21,161,000	$20,780,000	$22,714,000
2 New York	77,366,000	80,065,000	77,048,000
3 Philadelphia	6,015,000	6,073,000	5,151,000
4 Cleveland	865,000	1,058,000	1,787,000
5 Richmond	2,117,000	2,120,000	2,421,000
6 Atlanta	3,163,000	3,769,000	2,458,000
7 Chicago	4,867,000	4,841,000	4,679,000
8 St. Louis	598,000	396,000	722,000
9 Minneapolis	32,000	27,000	204,000
10 Kansas City	------	------	------
11 Dallas	347,000	445,000	712,000
12 San Francisco	9,035,000	9,784,000	10,454,000
Grand Total	$125,566,000	$129,358,000	$128,350,000

Decrease for month $3,792,000 Decrease for year $2,784,000

ACCORDING TO NATURE OF CREDIT

	Apr. 29, '44	Mar. 31, '44	Apr. 30, '43
Imports	$76,644,000	$79,434,000	$70,824,000
Exports	12,177,000	12,380,000	8,632,000
Domestic shipments	10,565,000	11,254,000	13,178,000
Domestic warehouse credits	19,339,000	19,622,000	24,837,000
Dollar exchange	290,000	75,000	317,000
Based on goods stored in or shipped between foreign countries	6,551,000	6,593,000	10,562,000

BILLS HELD BY ACCEPTING BANKS

Own bills $51,138,000 Bills of others $44,937,000 Total $96,075,000
Decrease for month $3,572,000

CURRENT MARKET RATES ON PRIME BANKERS ACCEPTANCES MAY 15, 1944

Days	Dealers' Buying Rates	Dealers' Selling Rates
30	½	7/16
60	½	7/16
90	½	7/16
120	9/16	½
150	⅝	9/16
180	⅝	9/16

The following table, compiled by us, furnishes a record of the volume of bankers' acceptances outstanding at the close of each month since May 31, 1941:

1941—	$	1942—	$	1943—	$
May 31	215,005,000	May 29	173,906,000	May 29	135,815,000
June 30	212,932,000	June 30	162,849,000	June 30	139,846,000
July 31	209,899,000	July 31	156,302,000	July 31	138,692,000
Aug. 30	197,472,000	Aug. 31	139,304,000	Aug. 31	130,244,000
Sept. 30	176,801,000	Sept. 30	123,494,000	Sept. 30	117,016,000
Oct. 31	184,806,000	Oct. 31	118,581,000	Oct. 30	114,883,000
Nov. 29	193,590,000	Nov. 30	116,067,000	Nov. 30	111,289,000
Dec. 31	194,220,000	Dec. 31	118,039,000	Dec. 31	116,814,000
1942—		1943—		1944—	
Jan. 31	197,278,000	Jan. 30	119,682,000	Jan. 31	120,497,000
Feb. 28	190,010,000	Feb. 27	127,062,000	Feb. 29	134,772,000
Mar. 31	182,675,000	Mar. 31	129,818,000	Mar. 31	129,358,000
Apr. 30	177,293,000	Apr. 30	128,350,000	Apr. 29	125,566,000

Non-Ferrous Metals — Copper And Lead Sales For June Shipment Large — Quicksilver Lower

"E. & M. J. Metal and Mineral Markets," in its issue of May 18, stated: "Demand for both copper and lead for delivery next month was heavy last week, pointing to a high rate of activity at fabricating plants in June. Buying of zinc will expand as soon as allocation certificates covering June reach consumers. The tin trade is deeply interested in the Bolivian political situation. Most operators in the metal feel that exports of tin concentrates will be maintained, and the supply outlook here is not expected to change. Quicksilver was dull and prices were unsettled, declining $4 per flask during the last week." The publication further went on to say in part as follows:

Copper

Fabricators purchased substantial tonnages of copper for June delivery during the last week. From present indications, consumption of copper next month will hold to the high level that has obtained ever since March this year.

Lead

Consumers purchased 14,021 tons of lead during the last week, against 7,519 tons in the week previous. Increased buying was expected, in view of the fact that WPB is scheduled to act on June allotments of foreign metal on May 22. Some 20,000 tons of foreign lead have been released so far for delivery this month, and June allotments also promise to be large.

Zinc

Allocation certificates for June zinc went into the mail on May 17. Brass mills are certain to be large consumers of zinc next month, with galvanizers also absorbing good tonnages. The conservation order for zinc is about to be amended, permitting use of a little more zinc in essential applications.

Shipments of galvanized sheets during the first quarter of 1944 totaled 303,204 tons, against 203,707 tons in the same period last year.

Aluminum

Conditions under which producers may accept orders for and make shipment of aluminum ingot, as well as the method of reporting on Form WPB-2593, are covered in CMP Regulation 1, Direction 29, issued last week. The term "ingot" as used in the direction includes pigs, slabs, billets, shot, and other raw forms. Powder, flake, and paste or pigment are not included in the order.

Tin

Conservation Order M-325, governing salvage of tinned and detinned scrap, was amended last week by WPB to include smelters engaged in the recovery of tin in the list of plants that may accept delivery of used tin cans. This action would permit the government-owned Texas smelter to treat used cans for tin recovery. Members of the tin trade believe that the smelter at present is not equipped to treat such material.

Permission to obtain used tin cans may be granted to other parties by WPB upon terms and conditions as it may impose.

Production of tin-plate during the first quarter of 1944 totaled 538,785 tons, against 494,386 tons in the Jan.-March period of 1943, the American Iron and Steel Institute reports. Production of hot-dipped tin-plate in the Jan.-March period this year totaled 400,161 tons, and electrolytic 138,624 tons.

Straits quality metal for shipment, in cents per pound, was as follows:

	May	June	July
May 11	52.000	52.000	52.000
May 12	52.000	52.000	52.000
May 13	52.000	52.000	52.000
May 15	52.000	52.000	52.000
May 16	52.000	52.000	52.000
May 17	52.000	52.000	52.000

Chinese, or 99% tin, held at 51.125c. per pound all week.

Quicksilver

The industry is awaiting official news on the statistics for April, which many believe will show that production has been restricted to bring supply and demand in balance. Until consumers are convinced that current production is no longer excessive, buying is expected to remain on the light side. During the last week the market was inactive and selling pressure again was in evidence, unsettling prices. The metal was offered at $117.50 per flask in small lots, spot New York, and on round lots for nearby delivery $116 could have been done in more than one direction. Compared with a week ago, the price declined $4 per flask. The lower price-level prevailed throughout the week. Output is being curtailed in Mexico and Canada.

Silver

The London market for silver was quiet and the price unchanged at 23½d. The New York Official for foreign silver continued at 44¾c., with domestic metal at 70⅝c. The Treasury's price was unchanged at 35c.

Gold

Production of gold in the United States in March amounted to 83,809 oz., against 97,976 oz. in Feb., and 129,154 oz. in March last year, according to the American Bureau of Metal Statistics. Output in the first three months of 1944 totaled 269,916 oz., against 379,877 oz. in the Jan.-March period of 1943.

Daily Prices

The daily price of electrolytic copper (domestic and export refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Cotton Spinning For April

The Bureau of the Census announced on May 18 that according to preliminary figures, 23,305,534 cotton spinning spindles were in place in the United States on April 30, 1944, of which 22,411,922 were operated at some time during the month, compared with 22,568,308 for March, 22,513,300 for February, 22,217,994 for January, 22,596,322 for December, 22,623,406 for November and 22,894,718 for April, 1943. The aggregate number of active spindle hours reported for the month was 9,315,634,608. Based on an activity of 80 hours per week, the cotton spindles in the United States were operated during April, 1944, at 124.9% capacity. This percentage compares, on the same basis, with 122.0 for March, 123.3 for February, 124.0 for January, 115.3 for December, 125.3 for November, and 133.2 for April, 1943. The average number of active spindle hours per spindle in place for the month was 400.

Great Britain Does Not Intend To Go Back To Gold Standard Says Chancellor

That the British Government does not intend to go back to the Gold Standard was indicated on May 10 by Sir John Anderson, Chancellor of the Exchequer in the House of Commons, when, during debate on the International Monetary Plan he said:

"I believe there is in fact no foundation for the view that this scheme in any way involves a return to the gold standard. Certainly the attitude of the present Government would be one of the most vehement opposition."

The agreement reached by technical experts of the United Nations on "a set of basic principles for an International Monetary Fund,,' as made known by Secretary of the Treasury Morgenthau on April 21, was referred to in our April 27 issue, page 1737.

Advices from London (Reuter) May 10 regarding the remarks of Chancellor Anderson, respecting the Monetary plan, were reported as follows in the New York "Times":

The Chancellor said the international monetary plan contemplated the necessity of fixed parity. There should be a recognized machinery for the adjustment of rates of exchange of several countries in relation to their currencies, including United States currency, which was based on gold. Therefore, he said, the scheme provided for regulating the parity of national currencies in the last resort with gold.

"The general idea accepted by our friends in the United States and ourselves is that the voting power should run parallel with quotas and that the voting power of the United States and the voting power of the British Commonwealth should be for practical purposes equal," Sir John said. He added that the voting power of the United States and the Commonwealth would probably work out at something like 20 or 25% of the total.

The right of members to withdraw was introduced because it was held that no purpose could be served by attempting to hold people in the fund against their will, and because small nations would be more likely to come into the scheme if they felt that in the last resort they had the right to withdraw.

Dealing with the position of the sterling area, Sir John said the Government would not be disposed to favor any plan likely to interfere in any way with relationships between different States which had been in association with one another under the sterling area arrangement.

The Chancellor recalled that the Prime Minister had made it clear before this agreement was formally entered into between the two Governments, the understanding was clearly established that it contained non-obligation on Britain's part to get rid of imperial preference in consideration of lend-lease facilities.

He had not the slightest doubt that those who had been engaged in discussions with representatives of the British Treasury on the other side of the Atlantic had been handling this matter with the most complete good faith and with the intention of obtaining as far as possible the object set out in the mutual aid agreement.

Short-Term Credit Needs Of Small Business Can Be Adequately Handled By Banks, Price Declares

While expressing the view that the short-term credit needs of small business can be adequately taken care of by the banks, factors and finance companies, W. G. F. Price, Vice-President, American National Bank & Trust Co. of Chicago, declared on May 18 that he wasn't so certain about the intermediate or long-term credit needs. Mr. Price spoke before members of the textile division of the War Credit Congress in session at Omaha, Neb. The reasons he cited were that the risk tends to increase with the term of the loan and, generally speaking, many lenders quite properly feel that there should be both a well-established earning record and a substantial cushion of capital to justify a long-term commitment. Some of the techniques developed by banks, factors and finance companies, such as term loans, field warehousing and the discount of instalment machinery notes, were mentioned, as well as the possibilities for their continued development after the war.

As for risk capital, Mr. Price pointed out that the present tax structure, the relatively high cost of public issues for smaller companies and the dependence of many small businesses on the efforts of two or three men presented real difficulties. He said he hoped that some amendment to the tax structure might be adopted for the specific benefit of risk capital as well as for new business enterprises. He observed that it might be possible for the banking system to cooperate with and supplement the facilities of the investment banking fraternity by means of supporting local screening organizations whose objective it would be to bring worthy users of risk capital together with people in the community with that type of capital to invest. Mr. Price expressed the opinion that there might be some areas where Government cooperation might be desirable, but that it should be the primary objective of the financial community to do just as much of the job themselves as they possibly can.

He said that, in this opinion, to attain this objective it would require, on the part of the financial community, a far greater degree of skill, patience, thoroughness and ingenuity in the conversion and immediate post-war period than in more normal times; and that it would be essential to give full weight to the character and ability of prospective users of money as to their financial position.

President Signs Bill Extending Lend-Lease Hails Program As Hastening Day Of Victory

With the signing on May 17 of the bill extending the Lend-Lease Act for one year, President Roosevelt in a statement accompanying his approval, declared that "the promise of ever-increasing help which the United States held forth to those who defied the Axis has been fulfilled." He went on to say that "in April, 1941, the first full month of the Lend-Lease program, we furnished aid valued at $28,000,000. In the month of March, 1944, the Lend-Lease aid supplied amounted to $1,629,554,000 — almost as much as the aid rendered during the entire first year of Lend-Lease operations." It was also asserted by the President that "victory will come sooner and will cost less in lives and materials because we have pooled our manpower and our material resources, as United Nations, to defeat the enemy."

The President's statement follows:

"Once again, by overwhelming majorities, the elected representatives of the American people in Congress have affirmed that Lend-Lease is a powerful weapon working for the United States and the other United Nations against our common enemies. For the third time I am affixing my approval to a Lend-Lease Act.

"When on March 11, 1941, the Lend-Lease Act first became law, Britain stood virtually alone before the tide of Axis aggression which had swept across Western Europe. Everywhere the peace-loving peoples of the world were facing disaster but the passage of the Lend-Lease Act gave firm assurance to those resisting the aggressors that the overpowering material resources of the United States were on their side.

"After we were attacked on Dec. 7, 1941, Lend-Lease became an essential part of our own war effort.

"The promise of ever-increasing help which the United States held forth to those who defied the Axis has been fulfilled. In April, 1941, the first full month of the Lend-Lease program, we furnished aid valued at $28,000,000. In the month of March, 1944, the Lend-Lease aid supplies amounted to $1,629,544,000—almost as much as the aid rendered during the entire first year of Lend-Lease operations. From the beginning of the Lend-Lease program in March, 1941, to April 1, 1944, our aid totaled $24,224,806,000.

"Through Lend-Lease and reverse Lend-Lease, the material resources and supplies of the United Nations have been pooled for their most effective use against our common enemies.

"The combined forces and the combined resources of the United Nations are striking with their united strength from all directions against the heart of Nazi Germany. Our fighting men are joined with British, Soviet, French, Dutch, Polish, Czech, Yugoslavian and the fighting men of the other United Nations. In the Far East and in the Pacific, combined United Nations fighting forces are also striking with increasing power against the Japanese.

"This unity of strength, both in men and resources, among the free peoples of the world will bring complete and final victory. That victory will come sooner and will cost less in lives and materials because we have pooled our manpower and our material resources, as United Nations, to defeat the enemy."

It was noted in Associated Press accounts from Washington, May 17 that, "the new law prohibits the President from using Lend-Lease authority to obligate the United States in any post-war military or economic way without first obtaining the consent of Congress. The Associated Press added that the idea of this provision, according to its sponsors, is to prevent a situation whereby the executive branch could accept a base, or give one away, in connection with Lend-Lease settlements, which might lead to international complications. Reference to the action of Congress on the bill appeared in our issue of May 11, page 1947, in which it was indicated that the bill passed the House on April 19, and the Senate on May 8. As passed by the Senate the bill was amended to provide that the President in making settlements may not obligate the country to any post-war military or economic role without the specific consent of Congress. The House agreed to the amendment on March 12.

Senate Shelves Anti-Poll Tax Bill; Rejects Cloture, Then Displaces Bill

Following the rejection of the Senate on May 15, by a vote of 44 to 36, a motion for the adoption of the cloture rule to limit debate on the anti-tax bill, the Senate subsequently adopted on the same day, by a vote of 41 to 35, a motion by Senator Clark of Missouri (Democrat) to take up a measure to provide artificial limbs for veterans. As a result of this action the anti-poll tax bill, which would make "unlawful the requirement for the payment of a poll tax as a prerequisite to voting in a primary or other election of National officers" is regarded as shelved so far as the current session of Congress is concerned. Stating that the Senate action automatically displaced the House-approved bill outlawing the collection of a poll tax as a requirement for voting for Federal officers in 8 Southern States, which had been debated since May 9, Associated Press accounts from Washington May 15 also had the following to say:

"Senators McCarran (D.-Nev.), Pepper (D-Fla.), and Taft (R. Ohio) protested against Senator Clark's motion on the ground that its approval would displace the poll tax bill without giving the Senate a direct vote on whether to lay the bill aside. Senator Clark answered that he, like Senator Pepper, had voted to invoke cloture because he did not believe that the Senate should permit a filibuster during critical periods of war, but said that, at the same time, important veterans legislation 'cannot be delayed.' Senator Clark said that he was against passage of the anti-poll tax bill.

"Majority Leader Barkley (Ky.), who voted for cloture, and Acting Minority Leader White (Me.) who voted against it, joined in supporting Senator Clark's motion. Senator Barkley said in view of the Senate's opposition to cloture, any expectation of a vote on the poll-tax bill was 'a vain hope.'

"The Senate rejected the debate-limiting cloture petition which would have halted a Southern Democratic filibuster against the anti-poll tax bill.

"The vote to invoke cloture, which would have shut off all debate in 96 hours, was 36 ayes to 44 nays, not only short of the necessary two-thirds of those voting, but short of a majority."

According to Washington advices May 17 to the New York "Times" Representative Winifred Stanley, Republican, of New York, introduced a joint resolution that day providing for a Constitutional amendment which would eliminate poll-tax requirements in all States where they now are in force. A similar measure, it is stated, has been submitted in the Upper House by Senator O'Mahoney of Wyoming.

In later advices from Washington (Associated Press, May 20) it was stated that more than 30 of the Senate's 37 Republicans sponsored on that day a constitutional amendment to ban poll tax levies. Senator Wherry (Rep., Neb.), who introduced the amendment bearing the signatures of himself and 32 colleagues, talked of getting action this session to bring the poll tax issue before the people.

On May 13 President Roosevelt was urged by the National Negro Council to take an immediate hand in the Senate battle over the anti-poll tax bill; state his position on the measure and, if favorable, lend his weight to end a filibuster of Southern Democrats and bring about passage of the bill. The foregoing was reported by the New York 'Herald Tribune' in advices from its Washington bureau, which also had the following to say in part:

"The request of the Negro organization, set forth in a telegram signed by Edgar G. Brown, director of the N.N.C., was similar to that recently made by Walter White, Secretary of the National Association for the Advancement of Colored People, on Governor Thomas E. Dewey of New York. The N.A.A.C.P. appealed to Governor Dewey to use 'his strategic position' in the Republican party to swing Republican Senators in line with those favoring resort to cloture to limit Senate debate.

"Mr. Roosevelt in turn was asked by the N.N.C., not only to make the present anti-poll legislation 'must' under his administration, but to use his influence 'to dissolve the behind-the-scenes agreement between Senate Majority Leader Alben W. Barkley of Kentucky and the Southern Democrats to scuttle the bill if the Senate failed to invoke cloture on Monday. . . .

"Senator Robert F. Wagner, Democrat, of New York, a supporter of the anti-poll tax bill, admitted that he had heard rumors that if the vote Monday failed to limit the debate that the bill would be withdrawn and no vote ever taken. 'But I cannot believe that any member of the Senate would attempt an agreement which would prevent orderly operation of democracy,' said Senator Wagner."

Nystrom Again Heads Sales Exec. Club

Dr. Paul H. Nystrom, Professor of Marketing, Columbia University, and President, Limited Price Variety Stores Association, was re-elected President of the Sales Executives Club of New York at the Annual Election Meeting of that organization in the Hotel Roosevelt on May 16. This will be Dr. Nystrom's fifth successive annual term as president of the Club. His candidacy was uncontested.

Elected to serve with him were: Gene Flack, Director of Public and Trade Relations, Loose-Wiles Biscuit Co., and Frank M. Head, Vice-President & General Merchandise Manager, United Cigar-Whelan Stores Corp. as Vice-President; S. George Little, President, General Features Corp., as Secretary; Carroll B. Merritt, Manager, Subscription Book Department, Chas. Scribner's Sons, as Treasurer; and as Directors Clarence Francis, President, General Foods Corp.; Major F. W. Nichol, Vice President & General Manager, International Business Machines Corp.; and George P. Johansen, Secretary-Treasurer, Advertising Distributors of America, Inc. Harry R. White continues as Executive Secretary of the club, a post he has held for the past eleven years.

It was announced at the meeting that the club has had a 10% increase in membership in the past year, with a record low resignation rate of 3%, bringing its total enrollment to 1,500 members.

Alloy Steel Output In April Shows Decline

Production of alloy steels during April totaled 889,051 tons, less than 12% of total steel production during that month, according to the American Iron and Steel Institute. In March, 952,287 tons of alloy steel were produced, while in April a year ago alloy steel production was 1,214,965 tons, or 16.5% of total steel output.

Open hearth furnaces produced 581,005 tons of alloy steel in April. The remaining 308,046 tons of alloy steel production came from electric furnaces.

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended May 13, 1944, is estimated at 12,560,000 net tons, an increase of 410,000 tons, or 3.4%, over the preceding week. Output in the corresponding week of last year amounted to 12,097,000 tons. Cumulative production of soft coal from Jan. 1 to May 13, 1944 totaled 235,395,000 net tons, as against 224,658,000 tons in the same period of 1943, a gain of 4.8%.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended May 13, 1944 was estimated at 1,326,000 tons, an increase of 48,000 tons (3.8%) over the preceding week. When compared with the production in the corresponding week of last year, there was, however, a decrease of 60,000 tons, or 4.3%. The calendar year to date shows an increase of 4.6% when compared with the same period in 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended May 13, 1944 showed an increase of 2,900 tons when compared with the output for the week ended May 6, 1944, but was 16,000 tons less than for the corresponding period of 1943. Production for the 134 days ended May 13, 1944 was 162,500 tons below that for the same period of last year.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

Bituminous coal and lignite—	Week Ended May 13, 1944	Week Ended May 6, 1944	Week Ended May 15, 1943	January 1 to Date May 13, 1944	January 1 to Date May 15, 1943	January 1 to Date May 15, 1937
Total, incl. mine fuel	12,560,000	12,150,000	12,097,000	235,395,000	224,658,000	177,033,000
Daily average	2,093,000	2,025,000	2,016,000	2,059,000	1,962,000	1,552,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

Penn. anthracite—	Week Ended ‡May 13, 1944	Week Ended §May 6, 1944	Week Ended May 15, 1943	Calendar Year to Date May 13, 1944	Calendar Year to Date May 15, 1943	Calendar Year to Date May 18, 1929
*Total incl. coll. fuel	1,326,000	1,278,000	1,386,000	24,289,000	23,227,000	28,087,000
†Commercial produc.	1,273,000	1,227,000	1,331,000	23,319,000	22,298,000	26,065,000
Beehive coke—						
United States total	146,400	143,500	162,400	2,896,300	3,058,800	2,431,200

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended May 6, 1944	Week Ended April 29, 1944	Week Ended May 8, 1943	Week Ended May 8, 1937
Alabama	388,000	385,000	304,000	73,000
Alaska	5,000	5,000	6,000	2,000
Arkansas and Oklahoma	83,000	88,000	68,000	8,000
Colorado	161,000	170,000	*151,000	79,000
Georgia and North Carolina	1,000	1,000	1,000	*
Illinois	1,428,000	1,514,000	1,222,000	516,000
Indiana	540,000	511,000	430,000	223,000
Iowa	47,000	42,000	49,000	21,000
Kansas and Missouri	180,000	150,000	141,000	69,000
Kentucky—Eastern	939,000	941,000	773,000	797,000
Kentucky—Western	333,000	393,000	289,000	126,000
Maryland	35,000	36,000	30,000	17,000
Michigan	5,000	5,000	5,000	1,000
Montana (bitum. & lignite)	80,000	92,000	81,000	27,000
New Mexico	41,000	38,000	32,000	26,000
North & South Dakota (lignite)	37,000	31,000	24,000	14,000
Ohio	700,000	706,000	588,000	450,000
Pennsylvania (bituminous)	3,095,000	3,057,000	2,368,000	1,953,000
Tennessee	152,000	138,000	114,000	56,000
Texas (bituminous & lignite)	4,000	3,000	4,000	15,000
Utah	123,000	118,000	117,000	31,000
Virginia	378,000	413,000	332,000	231,000
Washington	27,000	28,000	29,000	28,000
†West Virginia—Southern	2,157,000	2,247,000	1,845,000	1,652,000
‡West Virginia—Northern	1,035,000	1,063,000	762,000	543,000
Wyoming	175,000	184,000	165,000	56,000
§Other Western States	1,000	1,000	*	*
Total bituminous & lignite	12,150,000	12,360,000	9,930,000	7,014,000
Pennsylvania anthracite	1,278,000	1,344,000	1,031,000	952,000
Total, all coal	13,428,000	13,704,000	10,961,000	7,966,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona, Idaho and Oregon. *Less than 1,000 tons.

Civil Engineering Construction $26,907,000 For Week

Civil engineering construction volume in continental U. S. totals $26,907,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding is 36% lower than a week ago, 58% under the total reported by "Engineering News-Record" for the corresponding 1943 week, and 3% below the previous four-week moving average. The report made public on May 19, continued as follows:

Private work is 30% lower than last week, and down 5% compared with the 1943 week. Public construction is 39 and 68% lower, respectively, than a week ago and a year ago.

The current week's construction brings 1944 volume to $706,134,000 for the 20-week period, a decrease of 51% from the $1,445,294,000 reported in 1943. Private construction, $163,047,000, is 12% above the 1943 period, but public construction, $543,087,000, is 58% lower as a result of the 62% decline in federal. State and municipal is 1% under a year ago.

Civil engineering construction volumes for the 1943 week, last week, and the current week are:

	May 20, '43	May 11, '44	May 18, '44
Total U. S. Construction	$63,929,000	$42,209,000	$26,907,000
Private Construction	10,209,000	13,822,000	9,724,000
Public Construction	53,720,000	28,387,000	17,183,000
State and Municipal	4,162,000	6,807,000	6,716,000
Federal	49,558,000	21,580,000	10,467,000

In the classified construction groups, gains over last week are in bridges, commercial buildings, and streets and roads. Gains over the 1943 week are in bridges, commercial buildings, earthwork and drainage, and streets and roads. Subtotals for the week in each class of construction are: waterworks, $239,000; sewerage, $275,000; bridges, $474,000; industrial buildings, $1,220,000; commercial building and large-scale private housing, $7,010,000; public buildings, $5,238,000; earthwork and drainage, $534,000; streets and roads, $6,836,000; and unclassified construction, $5,081,000.

New capital for construction purposes for the week totals $3,755,000. It is made up of $1,175,000 in state and municipal bond sales, and $2,580,000 in corporate security issues. New construction financing for the year to date, $415,907,000, is 15% lower than the $489,749,000 reported for the 20-week period in 1943.

National Fertilizer Association Commodity Price Index Advances

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on May 20, advanced to 137.2 in the week ending May 20 from 137.0 in the preceding week. A month ago this index registered 136.9 and a year ago 135.8, based on the 1935-1939 average as 100. The Association's report continued as follows:

The advance in the all-commodity index reflected principally higher quotations in the farm products group. The slight decline in lambs and ewes was not sufficient to offset the rise in cattle, hogs, and life fowls. There was a fractional decline in the grains index number as prices for rye dropped sharply. The foods group dropped off one point as lower prices were quoted for eggs and cottonseed oil. The cottonseed oil index number, marking its first change since Jan. 1 of this year, has reached a new low since Oct. 31, 1942 and in turn has caused the fats and oils index number to drop proportionately. The textiles index advanced fractionally as prices for raw cotton increased slightly. Higher prices for brick caused the building materials index number to reach a new all-time high. All other group indexes remained at the previous week's level.

During the week 7 price series in the index advanced and 5 declined; in the preceding week there were 2 advances and 6 declines; and in the second preceding week there were 5 advances and 4 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week May 20, 1944	Preceding Week May 13, 1944	Month Ago Apr. 22, 1944	Year Ago May 22, 1943
25.3	Foods	138.5	139.5	138.4	140.7
	Fats and Oils	145.2	146.1	146.1	147.9
	Cottonseed Oil	156.7	159.6	159.6	159.0
23.0	Farm Products	155.0	154.7	156.0	152.9
	Cotton	199.7	198.9	198.9	200.7
	Grains	164.7	164.8	164.8	142.0
	Livestock	144.4	144.0	146.1	147.7
17.3	Fuels	130.1	130.1	130.1	122.8
10.8	Miscellaneous commodities	132.2	132.2	132.2	130.1
8.2	Textiles	152.1	152.0	152.0	150.9
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	153.4	152.4	152.4	152.7
1.3	Chemicals and drugs	127.7	127.7	127.7	126.6
.3	Fertilizer materials	117.7	117.7	117.7	117.7
.3	Fertilizers	119.7	119.7	119.7	119.8
.3	Farm machinery	104.3	104.3	104.2	104.1
100.0	All groups combined	137.2	137.0	136.9	135.8

*Indexes on 1926-1928 base were: May 20, 1944, 106.9; May 13, 106.7; and May 22, 1943, 105.8.

Cottonseed Receipts To April 30

On May 12, the Bureau of Census issued the following statement showing cottonseed received, crushed, and on hand, and cottonseed products manufactured, shipped out, on hand, and exported for the nine months ended April 30, 1944 and 1943.

COTTONSEED RECEIVED, CRUSHED, AND ON HAND (TONS)

State—	*Received at mills Aug. 1 to April 30 1944	*Received at mills Aug. 1 to April 30 1943	Crushed Aug. 1 to April 30 1944	Crushed Aug. 1 to April 30 1943	On hand at mills April 30 1944	On hand at mills April 30 1943
United States	3,890,549	4,425,067	3,691,616	4,202,208	287,709	294,890
Alabama	259,452	253,862	244,743	243,117	16,894	14,078
Arizona	59,524	82,687	55,019	75,366	4,508	7,712
Arkansas	373,489	469,762	342,316	420,326	40,756	61,257
California	124,319	157,004	122,770	126,013	8,445	32,166
Georgia	353,393	335,785	326,794	330,660	28,837	9,182
Louisiana	200,862	164,110	198,663	163,078	2,742	1,776
Mississippi	705,529	737,045	640,452	684,741	76,617	58,545
North Carolina	222,920	269,343	210,856	260,128	13,129	10,872
Oklahoma	110,452	218,785	108,357	222,164	3,887	1,085
South Carolina	193,960	202,759	186,825	199,172	9,728	3,534
Tennessee	277,152	381,635	261,002	354,241	19,416	36,581
Texas	905,068	1,007,886	892,568	998,252	57,169	42,589
All other states	104,429	144,404	101,251	124,950	5,581	15,513

*Includes 1,560 and 9,897 tons destroyed at mills but not 90,336 and 81,928 tons on hand Aug. 1 nor 44,834 and 51,625 tons reshipped for 1944 and 1943 respectively.

COTTONSEED PRODUCTS MANUFACTURED, SHIPPED OUT, AND ON HAND

Item—	Season	On hand Aug. 1	Produced Aug. 1 to April 30	Shipped out Aug. 1 to Aprli 30	On hand April 30
Crude oil	1943-44	*23,283	1,151,990	1,133,960	*90,969
(thousand pounds)	1942-43	34,460	1,304,631	1,292,403	90,765
Refined oil	1943-44	†207,409	‡1,019,675	------	†353,927
(thousand pounds)	1942-43	310,191	1,151,366	------	300,949
Cake and meal	1943-44	18,542	1,712,247	1,672,668	58,121
(tons)	1942-43	190,100	1,859,623	2,011,391	38,332
Hulls	1943-44	11,964	862,606	850,658	23,912
(tons)	1942-43	44,118	1,013,131	1,032,647	24,602
Linters	1943-44	135,927	§1,103,397	1,022,940	§216,384
(running bales)	1942-43	43,295	1,262,276	1,020,570	285,001
Hull fiber	1943-44	556	19,246	18,973	829
(500-lb. bales)	1942-43	229	30,009	28,975	1,263
Grabbots, motes, &c.	1943-44	14,106	44,465	39,816	18,755
(500-lb. bales)	1942-43	23,644	57,651	55,145	26,150

*Includes 13,826,000 and 59,127,000 pounds held by refining and manufacturing establishments and 3,150,000 and 7,505,000 pounds in transit to refiners and consumers Aug. 1, 1943 and April 30, 1944 respectively.

†Includes 3,196,000 and 8,530,000 pounds held by refiners, brokers, agents, and warehousemen at places other than refineries and manufacturing establishments and 3,734,000 and 2,551,000 pounds in transit to manufacturers of shortening, soap, etc. Aug. 1, 1943 and April 30, 1944 respectively. Does not include winterized oil.

‡Produced from 1,082,682,000 pounds of crude oil.

§Total linters produced includes 267,221 bales first cut, 759,630 bales second cut and 76,546 bales mill run. Total held includes 67,604 bales first cut, 125,807 bales second cut and 22,973 bales mill run.

Exports and Imports of Cottonseed Products

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

April Freight Traffic Volume Increased 2.3%

The volume of freight traffic handled by Class I railroads in April, 1944, exceeded the same month last year by 2.3%, the Association of American Railroads announced on May 22. Freight traffic, measured in ton-miles, amounted to approximately 60,400,000,000 ton-miles, according to preliminary estimates based on reports just received by the Association from Class I railroads.

Class I railroads in the first four months of 1944 performed approximately 5.8% more revenue ton-miles of service than in the same period of 1943, 34% more than in the same period of 1942, and 152% more than in the first four months of 1939.

The following table summarizes ton-mile statistics for the first four months of 1944 and 1943.

(000 omitted)

	1944	1943	Increase
Mo. of Jan.	60,487,994	55,134,789	9.7%
Mo. of Feb.	59,307,320	54,417,879	9.0
Mo. of Mar	*63,000,000	61,220,266	2.9
Mo. of Apr	†60,400,000	59,052,370	2.3
1st 4 mos.	243,195,314	229,825,304	5.8%

*Revised estimate. †Preliminary estimate.

April Living Costs Up 0.7%

Living costs of the average family of wage-earners and lower-salaried clerical workers in the United States rose from 0.7% from March to April, according to the National Industrial Conference Board. The board reports that sundries were up 1.2%; food, 0.8, and clothing, 0.2%. Fuel and light declined 0.1%. The board's index of the cost of living (1923=100) stood at 104.1 in April, against 103.4 in March and 104.0 in April, 1943.

The board on May 12 further reported:

"The level of living costs was 0.1% higher than that of a year ago. Sundries showed the greatest advance over April, 1943, with an increase of 5.9%. Other advances during the 12 months were: fuel and light, 2.9%, and clothing, 3.7%. Housing remained unchanged while food declined 4.6%.

"The purchasing power of the dollar, on the basis of 100 cents to the dollar in 1923, which amounted to 96.7 in February and remained at that figure in March, declined to 96.1 in April. It stood at 96.2 cents in April, 1943."

Refugee Boards Integrate Activities

Integration of activities of the War Refugee Board, a Federal agency, and the Intergovernmental Committee on Refugees, composed of representatives of 37 governments, was announced on April 21 by John W. Pehle, Executive Director of the WRB, and Sir Herbert Emerson, director of the intergovernmental organization. Advices from Washington to the New York "Times" added:

"A series of meetings held between the two to discuss relations between the organizations and 'the tragic problems of refugees,' they said in a joint statement, have been 'most successful.'

"'Not only have we reached complete agreement on organizational relations, but what is more important, we have taken definite steps to increase the effectiveness of the efforts being made on behalf of the refugee group,' they stated. 'It is our intention to keep in close touch with each other in the future, with a view toward approaching our goals more rapidly.'"

"Sir Herbert explained that a general working agreement reached would allow the two organizations to give practical assistance to each other in specific projects as they were instituted."

Trading On New York Exchanges

The Securities and Exchange Commission made public on May 13 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended April 29, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended April 29 (in round-lot transactions) totaled 945,576 shares, which amount was 14.70% of the total transactions on the Exchange of 3,216,380 shares. This compares with member trading during the week ended April 22 of 1,217,036 shares, or 15.08% of the total trading of 4,214,500 shares. On the New York Curb Exchange, member trading during the week ended April 29 amounted to 241,450 shares, or 15.31% of the total volume on that exchange of 788,150 shares; during the April 22 week trading for the account of Curb members of 264,790 shares was 13.41% of total trading of 987,531 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED APRIL 29, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	108,960	
‡Other sales	3,107,420	
Total sales	3,216,380	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	269,740	
Short sales	40,230	
‡Other sales	221,090	
Total sales	261,320	8.26
2. Other transactions initiated on the floor—		
Total purchases	126,330	
Short sales	12,500	
‡Other sales	98,860	
Total sales	111,360	3.69
3. Other transactions initiated off the floor—		
Total purchases	80,527	
Short sales	8,750	
‡Other sales	87,549	
Total sales	96,299	2.75
4. Total—		
Total purchases	476,597	
Short sales	61,480	
‡Other sales	407,499	
Total sales	468,979	14.70

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED APRIL 29, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	8,545	
‡Other sales	779,605	
Total sales	788,150	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	60,290	
Short sales	3,825	
‡Other sales	62,655	
Total sales	66,480	8.04
2. Other transactions initiated on the floor—		
Total purchases	17,800	
Short sales	1,675	
‡Other sales	10,980	
Total sales	12,655	1.93
3. Other transactions initiated off the floor—		
Total purchases	50,695	
Short sales	0	
‡Other sales	33,530	
Total sales	33,530	5.34
4. Total—		
Total purchases	128,785	
Short sales	5,500	
‡Other sales	107,165	
Total sales	112,665	15.31
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	34,354	
Total purchases	34,354	
Total sales	23,759	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Commodity Index Declines 0.1% In Week Ended May 13 Labor Dept. Reports

Seasonal declines in prices for fresh fruits and vegetables together with lower ceiling prices for heavy hogs were largely responsible for a decline of 0.1% in commodity prices in primary markets during the week ended May 13, according to the advices May 18 from the U. S. Department of Labor, which states that the decrease brought the Bureau of Labor Statistics' all-commodity index to 103.6% of the 1926 average. It was 0.2% lower than at the same time last month and in mid-May of last year, says the Department, which further reports:

Farm Products and Foods—Average prices for farm products dropped 0.7% during the week, led by a decline of more than 1% in the livestock and poultry markets. Heavy hogs fell 7% when OPA lowered ceiling prices on heavy weights 75 cents a hundred pounds. Light hogs declined fractionally and lower prices were also reported for sheep and for live poultry in the Chicago market. Favorable crop reports were reflected in the grain markets with rye down nearly 2% and wheat off slightly. In addition, quotations were lower for eggs, oranges and onions. White potatoes in the Boston and Chicago markets declined but were substantially higher at New York. Cotton advanced seasonally. Average prices for farm products are 1.7% lower than at this time last month and 2.6% below the corresponding week of last year.

With a decrease of 1.8% in primary market prices for fresh fruits and vegetables, average prices for foods dropped 0.4%. Prices were slightly lower during the week for flour and for cured and fresh pork. In the past 4 weeks, average prices for foods at wholesale have fallen 0.4% and they are more than 5% below the mid-May 1943 level.

Industrial Commodities—Industrial commodity markets continued fairly stable. The quicksilver market showed further weakness as some producers again lowered prices in an effort to stimulate sales. Naval stores markets were somewhat stronger as rosin and turpentine rose about 2%. The Department's announcement also contains the following notation:

Note: During the period of rapid changes caused by price controls, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for April 15, 1944, and May 15, 1943, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from May 6 to May 13, 1944.

WHOLESALE PRICES FOR WEEK ENDED MAY 13, 1944

(1926=100)

						Percentage change to May 13, 1944 from—		
Commodity Groups—	5-13 1944	5-6 1944	4-29 1944	4-15 1944	5-15 1943	5-6 1944	4-15 1944	5-15 1943
All commodities	*103.6	*103.7	*103.7	*103.8	103.8	—0.1	—0.2	— 0.2
Farm products	*122.4	*123.3	*123.1	*124.5	125.7	—0.7	—1.7	— 2.6
Foods	104.6	105.0	104.7	105.0	110.2	—0.4	—0.4	— 5.1
Hides and leather products	117.6	117.6	117.6	117.6	118.4	0	0	— 0.7
Textile products	97.3	97.3	97.3	97.3	96.9	0	0	+ 0.4
Fuel and lighting materials	*83.7	*83.7	*83.7	*83.6	81.5	0	+0.1	+ 2.7
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	115.0	115.0	114.7	114.7	110.4	0	+0.3	+ 4.2
Chemicals and allied products	105.4	105.4	105.4	105.4	100.2	0	0	+ 5.2
Housefurnishing goods	106.0	106.0	106.0	106.0	104.2	0	0	+ 1.7
Miscellaneous commodities	93.3	93.3	93.3	93.3	91.4	0	0	+ 2.1
Raw materials	*112.8	*113.3	*113.2	*113.9	113.7	—0.4	—1.0	— 0.8
Semimanufactured articles	93.5	93.5	93.5	93.5	92.9	0	0	+ 0.6
Manufactured products	*101.0	*101.0	*101.0	*100.9	101.0	0	+0.1	0
All commodities other than farm products	*99.5	*99.5	*99.5	*99.4	99.1	0	+0.1	+ 0.4
All commodities other than farm products and foods	*98.6	*98.6	*98.5	*98.5	96.9	0	+0.1	+ 1.8

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM MAY 6, 1944 TO MAY 13, 1944

Increases

Paint and paint materials	0.2	Agricultural implements	0.1

Decreases

Fruits and vegetables	1.8	Grains	0.2
Livestock and poultry	1.1	Meats	0.2
Other farm products	0.6	Other foods	0.1

Statutory Debt Limitation As Of Apr. 30, 1944

The Treasury Department made public on May 5 its monthly report showing the face amount of public debt obligations issued under the Second Liberty Bond Act (as amended), outstanding on Apr. 30, 1944, totaled $191,528,560.009, thus leaving the face amount of obligations which may be issued, subject to the $210,000,000,000 statutory debt limitation at $18,471,439,991. In another table in the report, the Treasury indicates that from the total face amount of outstanding public debt obligations ($191,528,560,009) should be deducted $707,240,501 (the unearned discount on savings bonds), reducing the total to $183,821,319,508, but to this figure should be added $1,145,594,169 (the other public debt obligations outstanding but not subject to the statutory limitation). Thus, the total gross debt outstanding as of Apr. 30, 1944, was $184,966,913,677.

The following is the Treasury's report for Apr. 30:

Statutory Debt Limitation as of Apr. 30, 1944

Section 21 of the Second Liberty Bond Act, as amended, provided that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $210,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$210,000,000,000
Outstanding as of April 30, 1944:			
Inter-bearing:			
Bonds—			
Treasury	$72,525,967,550		
*Savings (maturity value)	40,203,995,500		
Depositary	467,626,750		
Adjusted service	718,276,657		
		$113,915,866,457	
Treasury notes	$33,150,504,625		
Certificates of indebtedness	30,707,798,000		
Treasury bills (maturity value)	13,149,652,000		
		77,007,954,625	
		$190,923,821,082	
Matured obligations on which interest has ceased		344,531,525	
Bearing no interest:			
U. S. savings stamps	196,403,588		
Excess profits tax refund bonds	63,803,814		
		260,207,402	
			191,528,560,009
Face amount of obligations issuable under above authority			$18,471,439,991

RECONCILEMENT WITH DAILY STATEMENT OF THE UNITED STATES TREASURY APRIL 30, 1944

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act		$191,528,560,009
Deduct, unearned discount on Savings Bonds (difference between current redemption value and maturity value)		7,707,240,501
		$183,821,319,508
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (pre-war, etc.)	$195,926,860	
Matured obligations on which interest has ceased	7,692,050	
Bearing no interest	941,975,259	
		1,145,594,169
Total gross debt outstanding as of April 30, 1944		$184,966,913,677

*Approximate maturity value. Principal amount (current redemption value) according to preliminary public debt statement $32,496,754,999.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on May 13 a summary for the week ended May 6 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended May 6, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	15,023
Number of shares	405,627
Dollar value	$18,077,193
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	234
*Customers' other sales	15,408
Customers' total sales	15.642
Number of Shares:	
Customers' short sales	7,386
*Customers' other sales	383,887
Customers' total sales	391,273
Dollar value	$14,141,217
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	111,820
Total sales	111,850
Round-Lot Purchases by Dealers:	
Number of shares	141,150

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Ore.-Wash. Joint Stock Land Bank Dividend 10%

A further dividend designated as Dividend Number 8, in an amount equal to 10% of the outstanding principal of farm loan bonds issued by the Oregon-Washington Joint Stock Land Bank of Portland, Portland, Oregon, and unmatured interest accrued thereon up to and including April 30, 1936, has been declared as of the close of business May 25, 1944, it was announced on May 10 by George B. Guthrie, Receiver of the Bank on May 10. His announcement also says:

"This dividend is being distributed out of the proceeds derived from the liquidation of pledged assets of the bank and is payable only to persons who have proved and filed claims against the bank based upon such bonds and/or interest coupons representing said unmatured interest. Holders of interest coupons which matured prior to May 1, 1936, will not participate in this dividend as to such coupons inasmuch as such coupons are payable from a special trust fund on deposit with The United States National Bank of Portland (Oregon).

Increase in Capital of Pan American Trust Co.

The Pan American Trust Company increased its capital on May 18 from $700,000 to $1,000,000, according to announcement by John B. Glenn, President. This increase in capitalization, Mr. Glenn said, was made in order to bring the capital structure in more favorable relationship to the large volume of deposits, and to handle a growing volume of business. The capital stock of the bank, having a par value of $25 per share, will be increased from 28,000 shares to 40,000 shares. Sales price of the new stock is $35 per share, of which $25 will represent the par value, increasing the capital by $300,000, and $10 will be allocated to surplus, increasing this account to the extent of $120,000. Deposits as of May 18, 1944, aggregated $12,526,738; surplus amounted to $280,000; undivided profits were $47,800 and total capital funds are shown as $1,327,800.

Revenue Freight Car Loadings During Week Ended May 13, 1944 Increased 31,331 Cars

Loading of revenue freight for the week ended May 13, 1944, totaled 868,309 cars, the Association of American Railroads announced on May 18. This was an increase above the corresponding week of 1943 of 19,277 cars, or 2.3%, and an increase above the same week in 1942 of 29,255 cars or 3.5%.

Loading of revenue freight for the week of May 13, increased 31,331 cars, or 3.7% above the preceding week.

Miscellaneous freight loading totaled 385,235 cars, an increase of 8,101 cars above the preceding week, and an increase of 1,599 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 106,451 cars, an increase of 105 cars above the preceding week, and an increase of 9,967 cars above the corresponding week in 1943.

Coal loading amounted to 179,133 cars, an increase of 7,027 cars above the preceding week, and an increase of 2,901 cars above the corresponding week in 1943.

Grain and grain products loading totaled 40,011 cars, an increase of 1,623 cars above the preceding week but a decrease of 3,201 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of May 13, totaled 24,656 cars, an increase of 1,736 cars above the preceding week but a decrease of 3,541 cars below the corresponding week in 1943.

Live stock loading amounted to 15,709 cars, a decrease of 148 cars below the preceding week, but an increase of 1,245 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of May 13 totaled 11,955 cars, a decrease of 198 cars below the preceding week, but an increase of 1,406 cars above the corresponding week in 1943.

Forest products loadings totaled 47,212 cars, an increase of 3,555 cars above the preceding week and an increase of 3,521 cars above the corresponding week in 1943.

Ore loading amounted to 79,552 cars, an increase of 10,469 cars above the preceding week and an increase of 2,667 cars above the corresponding week in 1943.

Coke loading amounted to 15,006 cars, an increase of 599 cars above the preceding week, and an increase of 578 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943 except the Eastern, and Pocahontas. All districts reported decreases compared with 1942, except the Eastern, Allegheny, Southern, Centralwestern and Southwestern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
Week of May 6	836,978	816,538	839,286
Week of May 13	868,309	849,032	839,054
Total	15,865,036	15,251,532	16,044,449

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended May 13, 1944. During the period 74 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED MAY 13

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	265	232	450	1,443	1,555
Bangor & Aroostook	1,352	928	1,779	443	347
Boston & Maine	7,625	6,228	6,117	14,942	14,591
Chicago, Indianapolis & Louisville	1,282	1,510	1,345	2,277	1,903
Central Indiana	32	43	24	45	69
Central Vermont	1,064	1,026	1,003	2,117	2,498
Delaware & Hudson	6,072	6,490	6,820	13,743	11,868
Delaware, Lackawanna & Western	7,899	7,620	7,991	11,958	12,987
Detroit & Mackinac	254	405	275	115	128
Detroit, Toledo & Ironton	1,738	1,802	1,976	1,183	1,497
Detroit & Toledo Shore Line	333	289	315	2,541	2,766
Erie	13,653	13,350	14,933	17,138	19,638
Grand Trunk Western	3,810	3,938	3,463	8,697	8,189
Lehigh & Hudson River	181	219	246	3,599	2,778
Lehigh & New England	2,156	2,087	2,166	1,726	1,707
Lehigh Valley	9,344	8,770	9,123	16,905	14,733
Maine Central	2,205	2,078	2,098	3,282	2,286
Monongahela	6,631	6,569	6,041	306	363
Montour	2,813	2,520	2,427	32	55
New York Central Lines	48,845	56,797	46,680	56,703	53,677
N. Y., N. H. & Hartford	10,424	9,728	9,912	20,547	19,105
New York, Ontario & Western	1,263	1,283	1,100	3,830	2,649
New York, Chicago & St. Louis	6,604	7,097	7,636	15,933	15,712
N. Y., Susquehanna & Western	490	624	418	2,163	2,489
Pittsburgh & Lake Erie	7,707	7,651	8,575	8,824	9,582
Pere Marquette	4,778	4,945	5,299	8,145	7,208
Pittsburg & Shawmut	868	932	770	20	17
Pittsburg, Shawmut & North	393	391	424	231	289
Pittsburgh & West Virginia	1,379	1,251	1,181	2,649	3,688
Rutland	403	318	389	1,278	910
Wabash	5,389	5,524	5,254	12,368	13,307
Wheeling & Lake Erie	5,834	6,397	5,202	4,266	4,998
Total	162,486	169,042	161,432	239,449	233,589
Allegheny District—					
Akron, Canton & Youngstown	710	758	704	1,261	1,309
Baltimore & Ohio	46,714	43,404	41,035	28,894	29,110
Bessemer & Lake Erie	7,246	5,832	7,242	1,962	2,000
Buffalo Creek & Gauley	*348	302	290	*4	4
Cambria & Indiana	1,658	1,860	1,960	8	7
Central R. R. of New Jersey	7,380	7,553	7,494	20,559	21,959
Cornwall	461	650	701	69	74
Cumberland & Pennsylvania	219	239	328	23	6
Ligonier Valley	150	140	144	36	32
Long Island	1,279	1,146	701	3,741	3,691
Penn-Reading Seashore Lines	1,752	1,659	1,537	2,679	2,901
Pennsylvania System	87,678	83,998	85,373	68,858	68,284
Reading Co.	15,250	15,831	14,887	28,966	28,812
Union (Pittsburgh)	19,954	21,288	21,210	8,477	7,148
Western Maryland	4,288	4,266	4,073	13,202	12,913
Total	195,087	188,926	187,679	178,739	178,250
Pocahontas District—					
Chesapeake & Ohio	29,386	29,998	29,849	14,310	13,936
Norfolk & Western	21,688	23,256	23,460	7,454	7,649
Virginian	4,497	5,017	4,581	2,133	2,052
Total	55,571	58,271	57,890	23,906	23,637
Southern District—					
Alabama, Tennessee & Northern	362	282	399	479	260
Atl. & W. P.—W. R. R. of Ala	924	678	743	2,964	2,799
Atlanta, Birmingham & Coast	837	803	818	1,720	1,285
Atlantic Coast Line	13,127	13,021	13,122	10,082	11,133
Central of Georgia	4,047	4,144	3,783	5,413	4,674
Charleston & Western Carolina	466	523	349	1,836	1,858
Clinchfield	1,790	1,634	1,761	3,193	2,892
Columbus & Greenville	223	330	326	206	144
Durham & Southern	132	121	200	647	623
Florida East Coast	1,978	2,747	1,850	1,483	1,909
Gainesville Midland	37	46	38	182	81
Georgia	1,105	1,115	1,088	2,773	2,999
Georgia & Florida	457	369	376	785	597
Gulf, Mobile & Ohio	4,345	3,676	4,035	4,322	4,463
Illinois Central System	30,049	26,202	27,236	19,935	19,081
Louisville & Nashville	26,393	26,687	27,182	13,014	11,540
Macon, Dublin & Savannah	156	206	164	1,002	947
Mississippi Central	259	228	156	630	512
Nashville, Chattanooga & St. L.	3,242	3,252	3,702	4,621	4,913
Norfolk Southern	986	1,170	1,530	1,693	1,671
Piedmont Northern	381	357	314	1,163	1,109
Richmond, Fred. & Potomac	427	410	535	11,527	11,310
Seaboard Air Line	11,063	11,320	11,553	9,345	7,634
Southern System	23,799	22,353	23,680	26,221	23,690
Tennessee Central	777	542	678	865	753
Winston-Salem Southbound	157	128	92	1,006	897
Total	127,519	122,344	125,710	127,107	119,774
Northwestern District—					
Chicago & North Western	19,617	19,572	21,391	13,781	12,882
Chicago Great Western	2,705	2,721	2,396	3,583	2,832
Chicago, Milw., St. P. & Pac.	21,321	19,249	18,508	11,363	10,637
Chicago, St. Paul, Minn. & Omaha	3,219	3,195	3,333	3,901	3,488
Duluth, Missabe & Iron Range	26,906	23,067	25,234	157	193
Duluth, South Shore & Atlantic	852	889	1,561	503	473
Elgin, Joliet & Eastern	8,918	8,519	10,426	11,917	11,315
Ft. Dodge, Des Moines & South	412	379	543	80	101
Great Northern	21,933	21,676	22,538	6,479	6,151
Green Bay & Western	431	461	539	985	784
Lake Superior & Ishpeming	1,944	2,073	3,523	45	45
Minneapolis & St. Louis	2,084	1,886	1,946	2,415	2,271
Minn., St. Paul & S. S. M.	6,935	6,697	6,671	4,446	2,878
Northern Pacific	10,633	9,609	10,204	6,116	5,703
Spokane International	141	151	147	731	681
Spokane, Portland & Seattle	3,030	2,033	2,561	3,000	3,034
Total	131,081	122,177	131,521	69,499	63,468
Central Western District—					
Atch., Top. & Santa Fe System	23,238	20,796	21,213	12,816	12,060
Alton	3,165	2,718	2,905	3,278	3,887
Bingham & Garfield	460	592	734	101	104
Chicago, Burlington & Quincy	18,409	18,040	14,628	13,185	11,141
Chicago & Illinois Midland	3,294	3,017	2,763	846	735
Chicago, Rock Island & Pacific	11,502	11,633	10,581	13,063	11,997
Chicago & Eastern Illinois	2,751	2,581	2,420	6,640	5,971
Colorado & Southern	688	789	784	2,685	2,255
Denver & Rio Grande Western	3,880	3,641	2,994	6,328	6,481
Denver & Salt Lake	730	720	564	21	16
Fort Worth & Denver City	833	923	1,019	1,744	2,153
Illinois Terminal	2,158	1,682	1,894	1,915	2,246
Missouri-Illinois	832	1,048	1,333	391	412
Nevada Northern	1,865	2,089	2,004	131	118
North Western Pacific	937	1,140	1,086	767	701
Peoria & Pekin Union	5	1	18	0	0
Southern Pacific (Pacific)	31,604	30,798	28,650	15,564	13,515
Toledo, Peoria & Western	332	332	286	1,986	1,803
Union Pacific System	14,327	12,429	11,912	18,411	16,857
Utah	541	556	531	6	3
Western Pacific	2,155	2,132	1,843	4,548	3,554
Total	123,704	117,657	110,162	104,426	96,009
Southwestern District—					
Burlington-Rock Island	243	1,105	160	441	202
Gulf Coast Lines	7,544	6,327	5,334	2,731	2,322
International-Great Northern	2,632	1,814	2,862	4,176	3,873
Kansas, Oklahoma & Gulf	254	176	218	1,126	591
Kansas City Southern	6,917	4,843	5,537	2,777	2,502
Louisiana & Arkansas	3,348	4,218	3,279	2,925	2,742
Litchfield & Madison	300	263	336	1,031	1,196
Midland Valley	696	361	676	555	242
Missouri & Arkansas	193	86	176	433	204
Missouri-Kansas-Texas Lines	6,491	5,771	4,603	5,003	5,579
Missouri Pacific	13,969	15,445	15,436	19,841	20,010
Quanah Acme & Pacific	62	52	114	429	172
St. Louis-San Francisco	8,846	7,454	8,505	9,454	8,320
St. Louis Southwestern	3,101	3,288	2,929	8,410	7,937
Texas & New Orleans	13,453	14,564	9,823	5,220	5,178
Texas & Pacific	4,676	4,735	4,492	7,869	7,326
Weatherford M. W. & N. W.	105	98	148	70	43
Wichita Falls & Southern	31	15	32	31	24
Total	72,861	70,615	64,660	72,522	68,463

Note—Previous year's figures revised.

*Previous week's figure.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
Feb. 5	185,069	151,102	628,048	97	93
Feb. 12	154,797	151,870	630,449	97	94
Feb. 19	130,252	148,533	609,429	96	94
Feb. 26	151,980	139,044	621,875	93	94
March 4	178,375	146,926	650,606	95	94
March 11	152,627	144,761	655,682	95	94
March 18	136,105	150,940	639,537	95	94
March 25	125,806	147,604	613,978	97	94
April 1	138,724	141,959	607,537	93	94
April 8	179,056	144,422	635,727	94	94
April 15	145,936	143,883	636,176	92	94
April 22	138,712	158,871	610,555	98	94
April 29	147,768	156,041	601,880	98	95
May 6	186,666	158,534	628,495	98	95
May 13	144,921	150,435	620,728	95	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

New Freight Cars On Order May 1 Increased

The Class I railroads on May 1, 1944, had 44,458 new freight cars on order, the Association of American Railroads announced on May 20. This included 15,787 hopper, 4,905 gondolas, 797 flat, 18,207 plain box cars, 3,125 automobile box cars, 1,137 refrigerator, and 500 stock freight cars. On April 1, last, they had 36,727 cars on order, and on May 1, 1943, a total of 34,262.

The roads also had 705 locomotives on order on May 1 this year, which included 228 steam, two electric and 475 Diesel locomotives. Total on order on May 1, 1943, was 893, including 394 steam, 9 electric and 490 Diesel locomotives.

The Class I railroads put 10,062 new freight cars in service in the first four months this year. These included 6,059 hopper, 524 gondola, 718 flat, 383 automobile box, 2,265 plain box, and 113 refrigerator freight cars. Total placed in service in the first four months of 1943 was 6,260 freight cars.

They also put 336 locomotives in service in the first four months of 1944, of which 140 were steam, one electric and 195 Diesel. Locomotives installed in the first four months of 1943 totaled 213, of which 160 were steam, 9 electric and 44 Diesel.

Market Transactions In Govts. For April

During the month of April, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $16,511,300, Secretary Morgenthau announced on May 15. In March there were net sales of $11,500,000.

The following tabulation shows the Treasury's transactions in Government securities for the last two years:

1942—		
April	$300,000	purchased
May	16,625	purchased
June	250,000	sold
July	2,295,000	sold
August	8,446,000	sold
September	4,500.000	sold
October	1,000,800	sold
November	No sales or purchases	
December	No sales or purchases	
1943—		
January	$14,500,000	sold
February	90,300,000	sold
March	72,927,750	sold
April	400,000	purchased
May	35,200,000	sold
June	145,768,000	sold
July	67,757,200	sold
August	15,800,000	sold
September	2,651,600	sold
October	No sales or purchases	
November	$5,000,000	sold
December	4,800,000	purchased
1944—		
January	$9,924,000	sold
February	105,100,000	sold
March	11,500,000	sold
April	16,511,300	sold

Lumber Movement—Week Ended May 13, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 508 mills reporting to the National Lumber Trade Barometer were 2.3% below production for the week ended May 13, 1944. In the same week new orders of these mills were 0.7% below production. Unfilled order files of the reporting mills amounted to 123.0% of stocks. For reporting softwood mills, unfilled orders are equivalent to 41 days' production at the current rate, and gross stocks are equivalent to 31 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 7.8%; orders by 13.2%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 32.6% greater; shipments were 31.4% greater; and orders were 33.3% greater.

Items About Banks, Trust Companies

Percy H. Johnston, Chairman of the Chemical Bank & Trust Co. of New York, at the meeting of the board of directors on May 18 announced the appointment of Willard R. Brown as Trust Officer in the personal trust department. Mr. Brown is a native of Utah and attended the State University, graduating B. A. in 1934. Attended Columbia University Law School, from which he received his L.L.B. degree in 1937 and was admitted to the New York Bar in 1938. He has been admitted to practice before the U. S. Treasury Department and the U. S. Tax Court. He received practical experience in trust administration with the New York Trust Co., and has been associated with the law firm of Shearman & Sterling since 1941.

E. Chester Gersten, President of The Public National Bank & Trust Co. of New York, announced that at a meeting of the board of directors on May 18 James J. Farrelly was promoted from Chief Clerk to Assistant Cashier at the main office.

Richard N. Cotter, Assistant Secretary of Manufacturers Trust Co., at his 23rd Street office (131 East 23rd Street, corner Lexington Avenue), began his 65th year of continuous service with the bank on May 17. Mr. Cotter started his banking career in 1880 with the former Fifth National Bank, which was established in 1864, and which was the first bank in New York City to apply for a National charter. The first location of the bank was at 366 Third Avenue, near 26th Street, and this building contained space not only for banking quarters, but also for living quarters, because it was the general custom at that time for the Cashier to live above the bank; the Fifth National Bank went even further, and also provided living quarters for the Paying Teller and the Messerger, too, as part of their salaries.

The Fifth National Bank changed its location several times before finally accupying the quarters at 23rd Street, corner of Lexington Avenue. Manufacturers Trust Co. absorbed the Fifth National Bank in 1925. It is interesting to note that Mr. Cotter has been with the same office throughout his entire banking career.

The merger of the East Side Savings Bank and the Mechanics Saving Bank, both of Rochester, N. Y., to be consummated under the title of the Community Savings Bank, will become effective June 1, Presidents of the two banks announced on May 18, it was reported in the Rochester "Times-Union," which also had the following to say:

"State Banking Department approval has been given the merger, proposed by the trustees of the two institutions a month ago.

"The names of the two banks, familiar to Rochester for 75 years and longer, will remain to identify two of the Community Savings Bank's downtown offices. The office at Main Street East and Clinton Avenue South, headquarters of the East Side Savings Bank, will become known as the East Side office; the Mechanics Bank, at 21 Exchange, will be known as the Mechanics office. The third office, in the Rochester Gas & Electric Building in East Avenue, will be called the East Avenue office.

"Sol Heumann, present Chairman of the executive committee of the East Side Savings Bank, will be Chairman of the board of the new institution, while George Wendt, present President of the Mechanics Bank, will be Vice-Chairman. William Bausch, honorary Chairman of the East Side board, will continue in that office.

"Arthur A. Barry, now Chairman of the East Side board of trustees, will be honorary Vice-Chairman. Joseph H. Zweeres, President of East Side, will be the President of the combined banks, with Charles W. Carson, Vice-President of Mechanics, as Executive Vice-President. Hamilton C. Griswold, Philip O. Williams and Alexander G. Hay, all officers of the East Side, will continue their positions at the East Side branch."

According to the Providence, R. I., "Journal," the appointment of Harry G. Bruns, former senior analyst and Assistant Trust Officer of the Manufacturers Trust Co. of New York, as an officer of the Industrial Trust Co. of this city is announced by Ernest Clayton, President. The "Journal" added:

"Mr. Bruns, who will work in the bank's trust department in connection with supervision of trust investments, had been associated with E. H. Rollins & Sons, Moody's Investors' Service, and J. R. Williston & Co. before going with the Manufacturers Trust Co. five years ago. He holds degrees from Columbia University School of Business, Brooklyn Law School and St. John's University Graduate School of Law. He is a member of the New York Bar.

A change in capitalization of the First National Bank & Trust Co. of New Haven, Conn., calling for an increase in the common stock capital from $1,260,000 to $2,205,000, and the retirement of all the preferred stock will be acted upon by the stockholders at a special meeting on May 27. An increase in the common dividend from $1.50 annual basis to a $2.50 basis also is contemplated as part of this program, President Dwight L. Chamberlain announced, according to advices in the local newspaper, in which it was also stated:

"It is proposed to offer at $53 a share 18,900 additional common shares, $50 par value, first to the present common stockholders in the ration of three new shares for each four shares held. Transferable warrants evidencing these rights will be sent to common stockholders of record May 27, 1944, and will expire June 6, 1944.

"Upon expiration of these rights it is proposed to offer the unsubscribed portion of new common stock to preferred stockholders of record June 6 on a pro rata basis. The latter rights will expire June 16, 1944.

"In his letter to stockholders Mr. Chamberlain states it is expected that the offering of additional shares will be underwritten by a group of Connecticut investment bankers.

"Notice of the retirement of the entire issue of 9,200 shares of convertible preferred stock, at the redemption price of $125 a share, plus accrued dividends, is expected to be given on or about June 22, 1944, and the actual retirement is scheduled for Aug. 1.

"Consummation of this program would return the bank to the traditional form of bank capitalization, a single class of shares with no preferences. In recent years the bank has been moving in this direction. In the years 1936-1941, inclusive, the entire issue of $630,000 prior preferred stock was retired at par in several instalments. As the prior preferred stock was retired, the common stock was increased in corresponding amounts through the declaration of stock dividends.

"'Upon the completion of the proposed changes,' Mr. Chamberlain states, 'the capitalization of the bank will consist solely of 44,100 shares of common stock, and hence a much larger portion of the bank's earnings may be disbursed to common shareholders. Accordingly, the directors are presently considering the declaration, at a meeting soon to be held, of a semi-annual dividend of $1.25 per share on the common stock, thus placing the stock on a $2.50 annual dividend basis.'

"The First National was organized in 1863, shortly after enactment of the National Bank Act, and was granted the second of four National bank charters issued on June 20, 1863. It is still operating under this Charter No. 2, which is the oldest National bank charter in New England and the oldest, except one, in the United States. It is the largest bank in New Haven and the sixth largest in Connecticut."

Edward E. Stokes, President of Stokes Industries, Covington, Ky., has been named a director of the Peoples Bank & Savings Co. of Cincinnati, William J. Schroeder, President, announced on May 15, it is learned from the Cincinnati "Enquirer," which said that Mr. Stokes's appointment was in line with the board's policy to increase the bank's directorship.

The 99th anniversary of the National City Bank of Cleveland, Ohio, occurred on May 17. In pointing out that "this is no time for anniversary celebrations," the bank says:

"Only one event will truly deserve celebratiion—Victory. It is our deepest hope that, before our centenary rolls around, next year, we shall hail that day of days when the last gun of our enemies is silenced."

The Board of Governors of the Federal Reserve System announce that the East Side Trust & Savings Bank of Chicago, Ill., a State member bank, has changed its title to South Side Bank & Trust Co., effective May 17. The bank also changed its location from Ewing Avenue to 47th Street and Cottage Grove Avenue.

In the Chicago "Journal of Commerce" of May 17 it was stated that Carl L. Jernberg has resigned as senior loan examiner for the Reconstruction Finance Corporation to become President of the bank. Other officers, said the same paper, are:

"John W. Algar, Executive Vice-President; William A. Sutherland, Vice-President, and George W. Glasson, Assistant Cashier, all formerly with the East Side Trust & Savings Bank; Authony E. Frale, formerly with the University State Bank, Cashier, and Erwin F. Beyer, formerly with the Madison-Crawford National Bank, Assistant Cashiers.

"Harold J. Green, an attorney, will be Chairman of the board, and other directors will include Howard F. Knox, loan and mortgage manager of the Heitman Trust Co.; Edward V. Trainor, automotive parts manufacturer, and Herbert J. Nickelson, insurance broker.

"Initially the bank will have capitalization and resources identical to the East Side Trust & Savings, which at the date of the last call reported total deposits of $2,880,000 and resources of $3,258,000. It had capital stock of $200,000 and surplus and undivided profits of $100,000."

Plans to increase the capital stock of the Uptown National Bank of Chicago from $300,000 to $300,000 through the sale of 12,000 shares at $35 a share (par $25) to the bank's stockholders, in the ratio of one new share for each share held, were announced on May 15 by H. F. Wuehrmann, President, according to the Chicago "Tribune," which added:

"The directors have called a special meeting of the stockholders for June 12 to vote on the proposal. Of the proceeds, amounting to $420,000, $300,000 will be added to the bank's capital and the remainder to surplus account. The subscription warrants will be issued after favorable action by the stockholders and the Controller of the Currency.

"It is the intention of the directors to continue the present dividend rate of $2 a share a year on the increased stock, Mr. Wuehrmann said. Since June, 1940, Uptown's deposits have grown from $10,666,068 to $26,249,754."

An offering (at $10 per share) of 100,000 shares of common stock (par $5) of the Valley National Bank of Phoenix, Ariz., has been made to the stockholders of the bank. Blyth & Co., Inc., Refsnes, Ely, Beck & Co. and Pasadena Corp. have agreed to purchase from the bank the shares not subscribed for by its shareholders. The offering circular of the investment houses says:

"In order to adjust the bank's capital funds to this substantial rise in deposits, the board of directors on April 7, 1944, recommended an increase in the amount of the authorized common stock of the bank from $1,000,000, consisting of 200,000 shares of $5 par value, to $2,000,000, consisting of 400,000 shares of $5 par value. This proposal was approved by shareholders at a special meeting on April 27, 1944.

"Pursuant to this action of the shareholders and the determination of the board of directors of the terms and conditions with respect to the issue of the 200,000 additional shares, 100,000 such shares have been issued as a stock dividend to the holders of record of common shares as of April 27, 1944. Shareholders of record on April 27, 1944, were offered rights to subscribe pro rata to the remaining 100,000 shares of additional common stock at the price of $10 per share, in the ratio of one share for each three shares held after the issue of the stock dividend. The subscription rights expire May 15, 1944. The stock to be offered by the purchasing investment houses represents the balance of shares not subscribed for by shareholders."

It is also stated that "since the end of 1940 growth has been especially rapid, the bank's deposits having expanded from $45,995,510.93 on Dec. 31, 1940, to $123,813,151.26 on April 13, 1944—an increase of 169%."

The Tracy Loan & Trust Co. of Salt Lake City, Utah, a State member bank, has changed its title to Tracy-Collins Trust Co., effective May 6, according to an announcement by the Board of Governors of the Federal Reserve System.

Committee Under Magill To Aid In Formulating Federal Post-War Tax Policies

Organization of a committee to aid in the study and formulation of Federal postwar tax policies was announced on May 20 by Roswell Magill, former Under Secretary of the Treasury, Professor of Law at Columbia University, and a member of the Bar of New York. A small professional group, the members of which have had wide experience in some particular phase of the tax problem, is to serve under Mr. Magill as Chairman. The project has been financed under a special grant from the Maurice and Laura Falk Foundation of Pittsburgh.

Membership of the Committee on Post-war Tax Policy is as follows:

Roswell Magill, chairman; Fred R. Fairchild, Knox Professor of Economics, Yale University; Rowland R. Hughes, Comptroller National City Bank of New York; Victor H. Stempf, President, American Institute of Accountants, and Thomas N. Tarleau, Member of New York Bar, recently Tax Legislative Counsel, the Treasury Department.

The research staff will be headed by Harley L. Lutz, Professor of Public Finance at Princeton University.

It is announced that the Committee comes into being as the direct result of a conference held some weeks ago presided over by Dr. Henry M. Wriston, President of Brown University, and attended by a score or more of the nation's leading economists. That meeting unanimously approved a four-point resolution urging the importance of a program:

1. To develop a simple, productive and equitable tax system having in mind primarily the Federal Government but giving due regard, also, to the needs and fiscal dependence of the states.

2. To formulate methods of taxation that will meet all reasonable and necessary Federal budgetary requirements.

3. To formulate such changes and improvements of definitions and procedures as will promote in the greatest degree possible simplicity, clarity and ease of compliance with the tax laws.

4. To study the distribution of the tax burden and the effects of taxation on the vigor and vitality of the nation's economic system.

Mr. Magill, in outlining the purpose and scope of the new Committee's activities, said:

"Many groups today realize the importance of re-designing the Federal tax structure so that it can more adequately meet the unprecedented fiscal problems which will confront the government on the return of peace. The Baruch-Hancock report emphasized the importance of having new revenue bills ready for prompt action by Congress; an interdepartmental committee is already at work drafting the outline of such a measure. In addition, of course, the problem is being studied by numerous industrial organizations and business research bodies.

"The Committee will have the benefit of the practical experience of its members, some of whom have had long association with the Treasury in connection with tax matters. Others are recognized authorities in public finance or have dealt in practice with the complexities of taxation.

"The Committee will undertake to outline tax policies and to suggest revenue proposals which will be appropriate to the post-war fiscal needs of both Federal and State Governments."

"It is important to recognize," Mr. Magill added, "that while many new obligations will rest upon the Federal Government at the conclusion of hostilities, such obligations must not be permitted to undermine the fiscal independence of state and local governmental agencies, which are fundamental to the nation's liberty. Committee activities will end with the publication of its recommendations."

June 14 Flag Day

Proclaiming June 14 as Flag Day, President Roosevelt on May 4 urged that the day be observed "as a day of earnest rededication to those high principles of humanity and civilization which constitute the foundations of the Republic."

The President also urged that "we display our flag proudly, knowing that it symbolizes the strong and constructive ideals—the democratic ideals." "Let us," he added, "display our flag, and the flags of all the United Nations which fight beside us, to symbolize our joint brotherhood, our joint dedication, under God, to the cause of unity and the freedom of men."

In his proclamation the President also said, it was noted in the Associated Press:

"Our is a flag of battles . . . It is carrying our message of promise and freedom into all corners of the world. Ours is also a flag of peace . . . It is the flag under which men and women of varied heritage, creed and race may work and live or, if need be, fight and die together as only free men and women can."